# The Washington Monthly

James Fallows on Joseph Califano

JULY/AUGUST 1981/$2

· Special Issue: RONNIE'S WORLD ·

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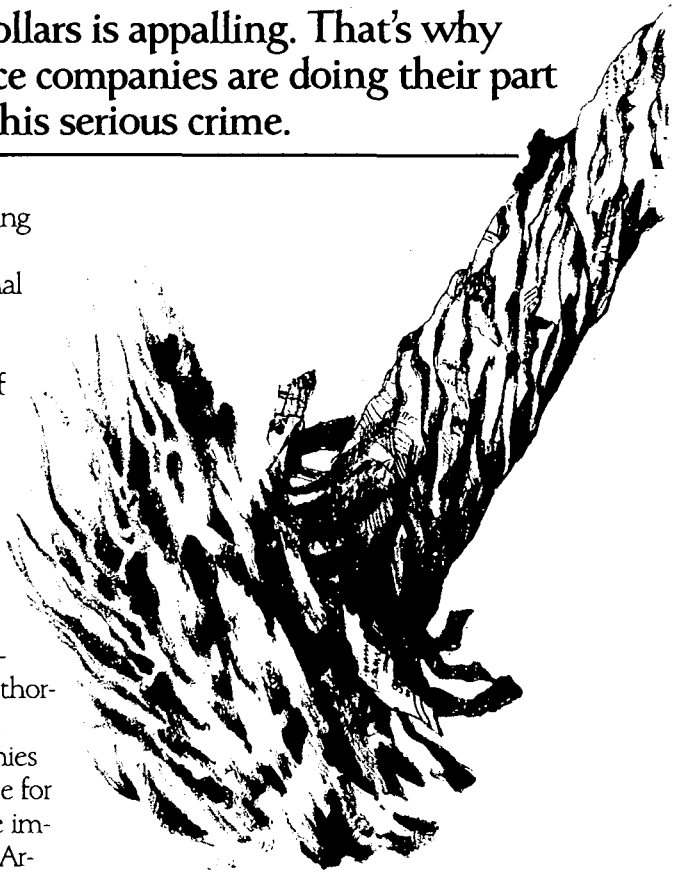
# We're doing what has to be done.

# Arson For Profit.

**The cost in lives and dollars is appalling. That's why Property-Casualty insurance companies are doing their part to reduce this serious crime.**



We've all seen the headlines: "Building gutted by fire. 28 dead, scores injured."

The smoke clears and the fire marshal makes his report. Too often it includes the word: *arson.*

Arson *for profit* is only a small part of the total arson problem. Most fires are *not* set for profit. The largest percentage of arson fires is caused by vandals, revenge seekers, or people in need of psychiatric help.

Arson has become a serious social problem. Its solutions demand innovative, coordinated efforts—not only by the insurance business, but by law enforcement authorities, fire inspectors, builders, and legislators.

Property-Casualty insurance companies—acting through the Insurance Committee for Arson Control—help and encourage those important groups to get together. So far, 125 Arson Task Forces have been formed in 41 states.

Meanwhile, insurance companies themselves have been working to reduce the incidence of arson. A prime example, one aimed specifically at arson for profit, is the Property Insurance Loss Register. This computerized cross-index of fire claims over $500 is programmed to react whenever a "match-up" of similar characteristics occurs among current

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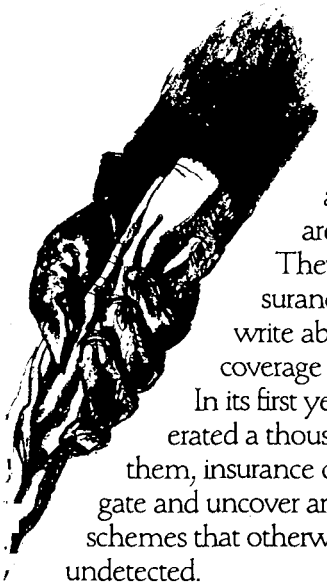


and previous claims.

The PILR computer contains hundreds of thousands of claims, and hundreds more are added every day. They come from the insurance companies that write about 90% of the fire coverage in the United States. In its first year, the Register generated a thousand alerts. From them, insurance companies investigate and uncover arson for profit schemes that otherwise would remain undetected.

These leads are essential, because arson often is hard to spot and even harder to prove. It takes time to investigate suspicious fires; to sift rubble for clues to physical evidence, much of which may have been burned up; to probe for financial circumstances which would indicate motive.

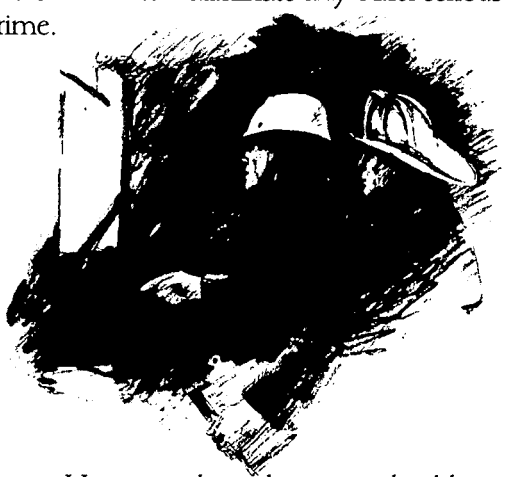
Meanwhile, well-intentioned state laws frequently require prompt claims settlement or notice of reason for delay. Other laws have prevented law enforcement officials and insurers from sharing information about a claim. And, insurance investigators face lawsuits for libel, slander, or bad faith if their claim denial or charge of suspected arson doesn't stand up in court.

All this has had a chilling effect on investigation of possible fraudulent insurance claims.

But Property-Casualty insurance companies are fighting back. They sponsor fire fraud workshops around the country to train thousands of adjusters and claims people. They seek law changes which will remove incentives for arson and make arson easier to investigate, while protecting the privacy of the policyholder. They are testing an insurance application form designed to identify and deter potential arson fraud. They developed a model code which makes arson a serious felony and provides appropriate penalties.

Significant operational changes in the many FAIR Plans across the country (where Property-Casualty insurance companies maintain facilities to insure high risk properties) are also making it harder for arsonists to prosper. Inspection practices and underwriting procedures are stronger. Increasingly, claims for fires of a suspicious nature are resisted. New government guidelines give FAIR Plans more flexibility in denying applications and in cancelling insurance coverage. Property owners are threatened with loss of coverage unless unsafe conditions are corrected.

Clearly, progress is being made. Society may never be able to eliminate arson, any more than it can eliminate any other serious crime.



However, through increased public concern, improved legislation, training, and the growing level of cooperation among community groups, insurance companies, fire fighters, and law enforcement authorities, we believe the crime of arson can be brought under closer control.

**A national hotline now exists.**
**For information on arson task forces call:**
**Outside New York: 800—221-4954.**
**In New York (call collect) 212—669-9200.**

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# Letters

## How I Got That Story

I was not in West Virginia as I (wisely) made clear ["Political Booknotes," May]. But Edward Kennedy has often told the story, as some hundreds will affirm. And, as you say, it is good enough even if not exactly true.

JOHN KENNETH GALBRAITH
Cambridge, Massachusetts

## Trickle-Down Postage

Your reference to *Smithsonian* magazine ["Tilting at Windmills, May] receiving a postal subsidy to be delivered to people whose average income is $42,000 a year did not strike me as justified. The magazine and membership fee are $12 per year, and rich and poor alike may take advantage of the bargain. It is possibly a matter of fact that memberships in art museums, symphony societies, etc., are not patronized or supported by the general public—and for the same reason that Sir Kenneth Clark's *Civilisation* on public television was not as popular as *Dallas* now is.

WADENE LAMPE
Beaumont, Texas

## Charity Ends at Home

The "effective squelch" given the lady who asked who says she has to give her hard-earned money to anyone else ["Tilting at Windmills," May] may have been effective when addressed to a self-proclaimed Christian. But it hardly had relevance to the statement that provoked her question—that is, Mr. Peters's praise of the Democratic party "for its traditional advocacy of programs designed to help the less fortunate." Christ's injunction to give to the poor, in all the forms originally pronounced, conspicuously did not include the use of the coercive power of the state to take from rich or middle-class Peter to give to poor Paul. "Transfer payments" do not satisfy the requirement of Christian charity—not unless you want to legitimate the brush-off "I already gave at the IRS."

LUCIEN J. POITRAS
Alexandria, Virginia

Charles Peters asserts that Jesus Himself sanctions government programs to help the poor. I think not. He sanctioned private charity, not the forced extraction by taxes of money from those who earned it and its transfer to those who didn't. Charity is voluntary, not forced.

STEVEN CORD
Indiana, Pennsylvania

## Star-Studded

Gregg Easterbrook's "Who Will Catch the Falling *Star?*" [May] leaves me a bit perplexed.

On the one hand, he excoriates *Star* management for concentrating on the reporting of official news while downplaying enterprise journalism, and criticizes *Star* editor Murray Gart for keeping out stories that might embarrass his friends. On the other hand, he claims the *Star,* Washington's second largest paper, is "infinitely better than the second papers in giant New York and Chicago."

I can only assume that Mr. Easterbrook made his remark without a full familiarity with our paper. I enclose a few copies of recent issues so he can avoid such rhetorical excesses in the future. I think he'll find that the *Sun-Times,* like other major papers in the nation, is not the one-dimensional product he portrays the *Star* to be. Coverage of our prime area, Chicago, is comprehensive. Reporting is aggressive, reflective of the motto of our predecessor paper, *The Chicago Times:* "The purpose of a newspaper is to tell the truth and raise hell."

If awards are an indication of a paper's merit—as the *Star's* advertising would have us believe—Mr. Easterbrook's comparison doesn't hold up. The *Sun-Times,* the nation's fifth largest daily newspaper, has won more Pulitzer Prizes than the *Star,* despite being 100 years younger.

PATRICK R. OSTER
Washington, D.C.

*Mr. Oster is Washington bureau chief of* The Chicago Sun-Times.

Among the several factual errors in Easterbrook's article was a reference to me as *Star* editor Murray Gart's godson.

I am not his godson, nor son-in-law, nor nephew; simply an employee.

DAVID WOOD
Washington, D.C.

*The author replies:*

That you are Gart's godson is almost universally believed among *Star* employees, and there are indications you have done little to discourage this belief until now. In fact, two highly respected members of the Washington press corps I interviewed while preparing the *Star* story said you yourself had told them, in person, you were Gart's godson.

At any rate, before the story went to press I called you to ask. You refused to talk. Your exact words were "I'm sorry, but I'm not going to cooperate with you in any way."



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# HOW TO USE A SELF-SERVICE GAS STATION

**YOU CAN SAVE MONEY BY DOING SIMPLE CAR MAINTENANCE YOURSELF.**

Gasoline or diesel fuel usually costs less at a self-service station. But too many people think that filling a fuel tank is all there is to self service. You'll do your automobile the most good if you also include a few simple maintenance procedures.

**Most self-service pumps have easy-to-follow directions printed right on them.** Before you drive into a self-service station, it's helpful to know whether your car takes leaded gas, unleaded gas, or diesel fuel, and also where your fuel tank is located, so that you can pull up to the proper pump and have the fuel tank close at hand. The type of fuel your car requires should be printed on the instrument panel, and the fuel tank location can be found in the owner's manual.

If you don't find instructions on the pump, here's what to do at most stations: 1. Turn off the engine. 2. Remove the fuel cap. 3. Remove the nozzle from the pump and turn the pump lever to "ON." 4. Place the nozzle in your fuel tank and squeeze the trigger. 5. When the trigger clicks off, remove the nozzle from the tank and turn the pump lever to "OFF." 6. Replace your fuel cap.

**There are some things, however, that the directions may not tell you.** Fuel fumes are highly flammable, so you should never smoke at a service station. Also, fuel caps are easy to forget and lose, so when you remove the cap try to wedge it in between the door to the tank and body of the car, where you're not likely to forget it. All 1981 and most older General Motors cars have fuel caps that twist on and then click when secure.

When you're filling up, try to avoid topping off your tank, since it may overflow. If fuel does spill on your car, you should wash it off as soon as possible, to avoid paint damage.

After you fill your tank, remember to clean your windshield. If you've been driving in bad weather, be sure to wipe off your side mirrors and headlights, too.

**A quick-maintenance inspection can help you spot potential trouble.** You don't need any expensive tools—just a good quality tire gauge, a rag or paper towel, an oil can spout kept in a plastic bag, and a jug of premixed windshield washer fluid, such as GM Optikleen.

To check your engine oil, pull out the dipstick, wipe it clean, insert it again, then pull it back out. The oil should be between the marks labeled "FULL" and "ADD." If it's below "ADD," add a quart of the oil recommended in your GM owner's manual.

**You should also check the coolant level.** Most GM cars have a see-through recovery tank. If the level looks low, add coolant to this tank. Never remove the radiator cap when the engine is hot, because pressurized coolant may overflow and burn you.

Periodically check your brake, transmission, and power steering fluid levels. Your owner's manual tells you how. Remember to keep the windshield washer reservoir filled with fluid, too, especially in the winter when you use it most often.

Most GM cars are equipped with maintenance-free batteries. But it's still wise to make sure their cables are on tight and the ends aren't frayed. Look for fraying, cracks, or other signs of wear on belts, too.

Look at tires for signs of wear or worn-out edges which can indicate improper inflation or the need for alignment. Once a month, you should use a tire gauge to check the pressure. In GM cars, the recommended pressure is on the left front door edge or inside the glove compartment. Recommended pressure is for cold tires, so check them before you drive more than a mile.

You'll be putting self-service stations to their best use if you include maintenance checks in your stops for gas. Your GM owner's manual can be an invaluable guide to proper car care. Please use it.

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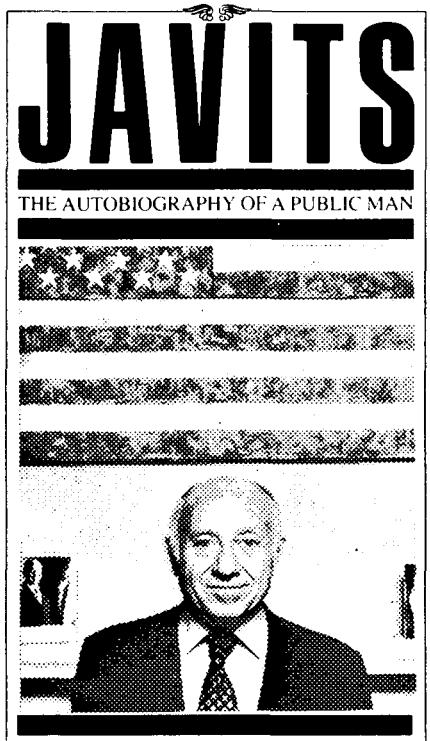


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Published monthly except combined July/August issue by The Washington Monthly Company, 2712 Ontario Road, NW, Washington, D.C. 20009, (202) 462-0128.

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Subscription rates: U.S. and possessions—$22, one year; $39, two years; $52, three years. Foreign, including Canada, $2 per year additional, surface; air mail rates available on request. Back issues, $3.00. Send all remittances and correspondence concerning subscriptions, undelivered copies, and changes of address to 2712 Ontario Road, NW, Washington, D.C. 20009. For changes of address please provide two weeks' advance notice and return old address label.

The Washington Monthly is indexed in the Book Review Index, the Reader's Guide to Periodical Literature, Public Affairs Information Service, the Social Science Index and Ulrich's International Periodicals directory, and may be obtained on microfilm from University Microfilms International, Ann Arbor, MI 48106.

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# Tilting at Windmills

Kathleen Carpenter, who was assistant secretary of defense for equal opportunity in the Carter administration, told the *Post* one of the problems of women in the service is:

"Male NCOs simply do not feel comfortable performing their traditional, informal sex education role with the female troops as they do with the men."

My guess is that Ms. Carpenter is in error. Most male NCOs would not be unduly reluctant to play an informal sex education role with female recruits. But I am curious as to what she thinks that role has been with male recruits. As a former private in the infantry, the only guidance in such matters I can recall having gotten from the NCOs consisted of ribald remarks uttered after the venereal disease movies or during a monthly ritual known as Short Arm Inspection. I always find it helpful to recall the latter experience for a moment or two when I have begun to focus excessively on things like man's nobility and higher destiny, as, for example, during the final movement of Beethoven's Ninth Symphony. . . .

The legal profession continues to provide moral leadership for us all. Here's a roundup of recent reports:

• Last year, an American Bar Association panel revising the profession's code of ethics announced a proposal to require pro bono work as part of the ethical responsibility of every lawyer. The reaction has been so negative, according to Robert Kutak, the Omaha lawyer who heads the panel, that the proposal has been eliminated from the draft code about to be released.

• Federal appellate judges—secure in their tenure and steadfast in their devotion to hunting, fishing, and golf—are notorious for the time they take to dispose of cases. The slowest court of them all is the D.C. Circuit, where it takes a minimum of six months for the court to produce opinions. Recently Judge Edward A. Tamm of that court suggested a statute that would deny salary to any federal judge who failed to dispose of a case within 60 days after the date of the hearing. *The Washington Post* asked Tamm about his colleagues' reaction. "An overwhelming lack of response," Tamm replied, estimating the chances for passage as "zero."

• The Court of Claims recently awarded Arthur Lazarus, Jr., and two other Washington lawyers a fee of $10.6 million for their work in obtaining $106 million for eight Sioux tribes. Lazarus, when asked how much time he and his colleagues had spent on the case, replied that he did not have "the slightest idea," explaining, "The court did not ask for that information and we did not develop it."

• The Sioux aren't the only clients reaching for their wallets. Lee Iacocca told Chrysler's annual meeting that the company paid $21.6 million in legal fees last year. So stop blaming Toyota and Datsun for everything. The real villain may be Sullivan and Cromwell.

• The profession's trend toward specialization continues to be strong. Stephen Rosen, for example, is advertising in the *District Lawyer* for "Stairway Fall Accidents" and "Slip and Fall Cases." He offers:

"Expert Testimony
"Consultation
"Code Interpretation
"Linkage of Fall and Injuries to Negligence"

• Justices Potter Stewart



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and Lewis Powell are millionaires. What's wrong with that? Nothing, except that we taxpayers pay them to judge cases, and during the 1980-81 term, Powell has withdrawn from 24 cases and Stewart from 51 cases because of possible conflicts of interest arising from their investments. . . . .

You will recall that the Reagan administration, like all of its recent predecessors, began with brave promises of cabinet government free from sniping by presidential staff. But *Business Week* recently quoted a White House source as saying Attorney General William French Smith is "a somnambulist . . . he has no known view on any issue." Smith graciously commented that he didn't know anyone on the White House staff who could pronounce somnambulist.

Richard Schweiker, the secretary of health and human services, is another White House target. One insider calls him "the number-one asshole of the cabinet," which, considering his colleagues, is like being called the most unreasonable Iranian. Schweiker is being blamed, among other things, for the proposed Social Security changes, which the White House now admits were ill-advised in timing and specifics (although not in spirit). Schweiker is said to be willing to take part of the blame as long as it is shared with David Stockman, White House domestic policy chief Martin Anderson, and Robert Carleson, Anderson's assistant, all of whom pushed the Social Security proposals. . . .

Mobil (as in "This program is brought to you by a tax write-off from the Mobil Corporation") has given the Public Broadcasting Service $150,000 to help pay for a feasibility study of Public Subscriber Network, a pay-TV enterprise PBS advocates. Mobil has promised another $150,000 if the study concludes PSN is feasible. Bet you can't guess what the conclusion will be. . . .

Between his election to the House of Representatives in 1968 and the filing of his 1981 financial report with the Federal Election Commission, Robert Homar Mollohan of West Virginia acquired a fortune worth between $1.5 million and $2.4 million. According to an editorial in *The Charleston Sunday Gazette-Mail,*

"Mollohan not only manifests extreme displeasure when interrogated about his suddenly acquired wealth but won't answer questions on the subject.

"America is a land of opportunity, true, but as a rule not that much opportunity." . . .

Organizers of the Radcliffe Class of 1971's reunion had planned to sponsor a nursery for the children, ages two through 12, of returning alumnae. The nursery was canceled when it turned out that a grand total of one graduate requested its services. It appears the admissions office of the year 1990 won't face that old dilemma of how many legacies to let in. . . .

Speaking of the courts, Vic Miller wrote this letter to *The Washington Post* last month:

"In the *Post's* recent article on public defense, lawyers balking at low fees for such cases argued that fees as low as $5 per hour amounted to involuntary servitude.

"A useful comparison can be made to the fees paid to jurors, also involved in 'involuntary servitude.' The District of Columbia pays $30 per day, and the District (I believe) pays more than most.

"To me, participation in our legal system is a civic responsibility. Serving, not servitude, is the very essence of our democratic society."

Joseph Kraft recently characterized James Fallows's new book, *National Defense,* as "anti-defense." This is wrong, and quite unfair. Ironically Kraft himself, just a few weeks earlier, had written a sensible column in which (without mentioning Fallows) he stated a position that was pro-draft and skeptical of excessive reliance on high technology—much in the same spirit as *National Defense.*

Perhaps Kraft still resents a critical article Fallows wrote about him in these pages seven years ago. None of us takes criticism lightly, but in the literary world it inspires feuds that endure for decades. Surely reasonable men should be able to abide by a three-year statute of limitations, just and equal in its merciful application to all those who have criticized us—except, of course, for the son-of-a-bitch who wrote that scurrilous review of my book. . . .

As part of the movement much loved by local realtors that has everyone opening a Washington office, many states have established offices here. Indeed, Illinois has three, prompting the


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magazine *Illinois Issues* to speculate that the state's ambitious governor, James R. Thompson, may be plotting to get to Washington by shipping the state capital here piece by piece. . . .

James C. Miller III, regulatory czar of the Office of Management and Budget, had two possible slots to take at the Federal Trade Commission. One was an 18-month term, which is open now. The other was a full seven-year term, to start later. He could have been chairman in either slot. He chose to wait for the seven-year job. Why? Somebody who was really committed to righting regulatory wrongs would want to sweep into the FTC, turn it around in 18 months, and then go on to clean up someplace else. Instead, Miller waits for the seven-year term, with its prospect of security-at-higher-pay and a personal domain, and the implication that he wants to stay at this agency (which he doesn't think should be doing much) for a long time.

Speaking of the FTC, Stockman, for all his vaunted expertise, goofed. He gave it more budget money than he had to, and a higher personnel ceiling than it required. "We're *hiring,*" an FTC aide says gleefully. "Stockman just got fooled." . . . From the *San Jose News* comes this report:

"Santa Clara County supervisors . . . reversed their decision to spend $750 for a 'facilitator' to help them decide what to look for in a new county executive."

Perhaps they didn't know what to look for in a facilitator. . . .

Arthur O'Connell, the marvelous character actor—he was the druggist in the Crest commercial—died last month. Stories said the cause of death was Alzheimer's disease. If you've never heard of it, you're not alone. Few people have. But it's a disease that may afflict as many as four million Americans.

As of now it's an untreatable senile deterioration of the brain. Groups of nerve endings in the cerebral cortex degenerate, and signals between cells are disrupted. The result in a typical case is described by Dr. Robert N. Butler, director of the National Institute on Aging:

"A 56-year-old attorney in one of the nation's top law firms seemed to be at the peak of his career. But he began to make surprising errors of fact and judgment. He could no longer be relied upon to return important phone calls. At times, his temper flared unaccountably. These symptoms were just the beginning of serious deterioration. Rapidly over the next four years his intellect decayed. He had to leave."

As a 54-year-old whose temper has been known to flare, I am rooting for Dr. Butler and his efforts to win adequate funding for research into Alzheimer's disease and other forms of senility. We've always assumed that senility is "inevitable" because it is "a natural part of aging." What if that's wrong? What if it's a disease, a bodily malfunction like pneumonia or whooping cough? Dr. Butler thinks it may be preventable in many cases, and that's what he wants to research. Prevention is always cheaper, and in the case of senility might alleviate one of the worst of all human indignities. How many of you, like me, dread, not dying a violent, premature death, but winding up in some home, with a vegetable mind, lying around in our own excrement all day? If you share this nightmare, give Dr. Butler some help with a letter to your congressman.

Xerox offers paid sabbaticals for work in public service, an admirable idea. This year 35,000 of its employees were eligible. But only 66 applied. Presumably no one else wanted to interrupt his progress up the career ladder by helping someone who slipped off the first rung. . . . Lately it has become a game of sorts to watch for *New York Times* and *Washington Post* stories that, on the same day, contradict each other on some central element of fact. Here's my contribution, both from the June 1 front pages:

AIR FORCE OFFICER SAID TO HAVE GIVEN RUSSIANS TITAN DATA
—*Times*

NO EVIDENCE SEEN OF ESPIONAGE BY MISSILE OFFICER
—*Post*

Lee Iacocca, I have some advice for you: Forget Sinatra, get Brezhnev. *The Washington Monthly* has surveyed the parking lots at the Soviet embassy and found them filled with American-made cars. Hollywood of course moves by BMW and even in official U.S. government parking lots about one-third of the cars



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are foreign. . . .

In the last couple of months several *Washington Monthly* stories have been confirmed. Carl Duckett, a deputy director of the CIA from 1967 to 1976, said that there was a "clear consensus" within the agency that Israel had received about 200 pounds of weapons-grade uranium diverted from a processing plant in Apollo, Pennsylvania, as John Fialka alleged in these pages in January 1979 ["The American Connection: How Israel Got the Bomb"]. Eric Black's article ["The Great Contact Lens Con," September 1980] describing how Burton-Parsons Co. "persuaded" two Food and Drug Administration officials to favor its costly lens-disinfecting solution over a cheaper and safer solution has been confirmed by *The Washington Post, New York Times, Washington Star,* and the networks.

The nature of that confirmation is quite interesting, since all three papers treated the story as if it were a shocking revelation. I asked Black—now a reporter for the *Minneapolis Tribune*—to find out what happened. Here's his report:

"The story began in July 1980, when the oversight subcommittee of the House Commerce Committee revealed the sad tale of Burton-Parsons, the FDA, and insider influence at a hearing. The *Post* and *Star* were notified of that hearing but declined to cover it. *The Washington Monthly* thought it was a perfect example of the regulatory system run amok, however, and put me on the story. In September 1980 it was the magazine's cover article. The FDA decided to investigate its two employees implicated in the con, but they were allowed to continue in their jobs.

"Undaunted, the subcommittee staff kept working, and came up with some new details. Admirable though the investigators' tenacity was, the new details were trivial compared to the overall con, already disclosed. Nevertheless the subcommittee scheduled a second hearing for May 29, 1981, to get the details on the record.

"On May 29 the story exploded across the front pages of the *Post* and *Star.* (Neither paper mentioned that the *Monthly* had beaten them by almost a year.) It was also the third story from the top (with film) on the *CBS Evening News* and the first story after the commercial on ABC's *World News Tonight.* Four days later the FDA suspended its two employees and asked the FBI to investigate. The *Post* and *Star,* needless to say, were all over these developments.

"How did a non-story of last fall become front-page news? The answer provides a good example of the way government and the big media chase each other around in circles. Some anonymous congressional staffer apparently got the bright idea of leaking the new details to the *Post—in advance* of the hearing. That way the *Post* could run it in the morning, a few hours before the rest of the world had the story, and pretend it had dug up a big exclusive. This no doubt enhanced the newsworthiness of the story in the ever-objective eyes of the *Post's* editors. Then the *Star,* panicked by the *Post,* actually went to the hearing. It gave the story even bigger play, putting it 'above the fold' in its evening edition.

"The networks, meanwhile, applied their fabled courageous news judgment, namely that anything legitimized by the front pages of the Washington papers is safe to jump on."

Another of our stories, "Moscow's Real Secret Weapon," by James Whitmire [June 1980], didn't make CBS television, but was confirmed by Ann Crittenden in the *Times.* Whitmire had revealed the tremendous debt (between $60 and $80 billion) owed to Western banks by Soviet-bloc nations. Crittenden detailed the same situation, and came to the same conclusion as Whitmire—that it gave the Soviet-bloc nations alarming control over our banks. She explained it with the same illustration:

"In banking there is a saying that if a bank lends you less than a million dollars the bank has leverage over you, but if it lends you more than a million dollars you have leverage over the bank."

Alas, something we *didn't* run was also confirmed recently. Many months ago a member of our staff wrote a story predicting that Israel would destroy Iraq's "research" reactor before it could begin producing atomic bomb material. I thought the idea was so far-fetched I wondered what the writer had been smoking. Nothing, as it turns out.

Sounds like a "surprising error of judgment" on a certain editor's part. Better get that help to Dr. Butler fast. . . .


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On "Meet the Press" recently, David Stockman said in defense of his position on legal services, "Obviously there are a lot of ways to ensure that lower-income people have access to the legal advice or service they need. Many county bar associations provide that." That reminds me of a remark then-Congressman Otis Pike once made about the combat readiness of our military reserves: "There may be a Reserve or National Guard unit somewhere that is fit and ready to fight, but I have never heard of it."

I have never heard of a county bar association that provides adequate legal service for the poor. As we discuss at length elsewhere in this issue, it is fascinating how unaware Stockman and the other Reaganites are of the reality of the life of the poor. . . .

Another reason why Japan wins and America loses is bureaucratic layering. In American firms, according to Jewell Westerman in the May issue of *Fortune:*

"You seldom find fewer than eight levels and you are more likely to find 11 or 12. Ford has 12 levels, but the Japanese auto companies have five. It is not unusual to find a U.S. company with as many as 15 levels. What happens is that middle managers are put into jobs having only a very narrow span of control. Having only a fraction of a job to perform, they struggle and strive to create a whole job and ask for more accountants or more systems analysts and pretty soon they have added so many more staff positions that they now need to add another level of supervision. The span of the new managers is also narrow, so the process starts all over again."

Another example of bureaucratic layering is what has happened to the special assistant's job at the Department of Energy. When the special assistant first appeared in bureaucracies, his role was to write the boss's speeches, pick up his dry cleaning, and assist the great man in other ways that did not fit into the substantive chain of command. Needless to say he did not have an assistant himself. Now at DOE a man named Bernard Degan II is special assistant to the secretary. Degan has a staff of 19, including six "assistants to the special assistant." . . .

Since this publication has chided Alexander Haig, Richard Pipes, and their associates for overplaying the menace of Soviet imperialism, it is only fair that we report to you the evidence reinforcing their concerns. The Soviets do appear to be up to something in Equatorial Guinea. God knows why anyone would want to be up to anything in Equatorial Guinea. Anyway, the Russian embassy there has a staff of 195, or, according to *The London Observer,* one for every 2,000 of the local population. They could stage their own coups. . . .

Members of the Maryland Savings and Loan Association devoted most of their annual meeting to wailing about how bad business was. "Toughest period in 150 years" was a typical quote. The meeting was held—where would you guess? In a modest suburban Baltimore motel, perhaps? No, at the Greenbrier in White Sulphur Springs, West Virginia, one of the nation's great luxury resorts. . . .

Not long ago State Senator John Powell of Oregon proclaimed, "The legislature should not be a tool for incompetence—it should promote it." I know of no injunction that is more faithfully carried out. . . . Buried deep in one of the stories about the missile launch officer who liked to hang around the Soviet embassy was this observation by Dr. Arthur B. Sweney, who has studied missile crews: "Basically the only real job of the deputy commanders is to turn the key. Their job is boring and they end up suffering a real lack of self-importance."

This is, alas, true of many government jobs and accounts for the pathetic but often maddening efforts of civil servants to endow themselves with an importance they don't really feel. . . .

Here's another reason why working for the government can induce feelings of quiet desperation. Raul de Asmar, an agent of the Internal Revenue Service, was hot on the trail of some crucial evidence and needed to make a rush trip from Miami to Spain. Even in the heat of pursuit, however, he was prudent enough to compare air fares and get the cheapest—$791 on Iberian Airlines—which saved the government $1,000, since other airlines were charging $1,800 for the same trip. He got the evidence, but he also got a bill for $791 from the



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government. It seems that the General Accounting Office, citing U.S. Government Travel Handbook Regulation 1RM 1746-413.3, said that he should have flown on an American carrier even though it cost more....

One of the problems with higher education today is that leading members of the faculty spend too much of their time on extracurricular activities. But it's not helping with the college yearbook that's luring them away from the classroom, where the stars seldom teach more than three hours a week. It's big bucks. Boris Bittker, Yale's top tax authority, commands $1,000 an hour (that's right, $1,000 an hour) from the banks and other firms that seek his services. Harvard's Lawrence Tribe brags that he is making a pro bono sacrifice when he gives the government a special $250 per hour rate. But the one who tops them all is Harvard's antitrust authority, Phil Areeda. Some firms pay him retainers—not to work for them, but just so he doesn't work for the other side....

Another problem for higher education is that Thomas Melady has been nominated to be the Department of Education's assistant secretary for post-secondary education.

Melady has recently been president of Sacred Heart University. But from 1969 to 1972 he was U.S. ambassador to Burundi, a tiny Central African nation. There he was faced with a ticklish problem. Burundi has a history of savage tribal disputes between the Tutsi and the Hutu. The Tutsi, while making up only 15 percent of the population, utterly dominate the Hutu. Burundi's Tutsi-controlled government worried that the U.S. would side with the oppressed Hutu. Melady, however, repeatedly assured them no such thing would happen.

In May 1972, Burundi was plunged into a frenzy of killing. The Tutsi systematically slaughtered more than 250,000 Hutu men, women, and children. When Tutsi army units ran out of ammunition they used hammers and nails to continue the massacre. Melady was fully aware of what was happening—truckloads of corpses passed the embassy every night, as Roger Morris reported in a 1973 article in these pages.

Melady's reaction? He went out of his way to prevent U.S. pressure from being brought to bear against his Tutsi "clients." He cabled sanitized reports of the situation back to the U.S. (afraid, Morris explained, of sparking "overreaction"). He then sent the Tutsi government a bland letter saying American officials were "concerned with their


# Debacle: The American Failure in Iran

by MICHAEL LEDEEN and WILLIAM LEWIS

"A penetrating case study of the confusion at the top level of the Carter Administration and how the President's failure to bring order out of chaos paralyzed American policy in the Iranian crisis...A meaningful contribution to our understanding of events that critically affect our country's future."
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difficulties." On May 25—when Hutu were being slaughtered at the rate of 1,000 per day—Melady left for a new assignment in Uganda. He never spoke out on the horror.

This man of conscience is also, the White House said in announcing his nomination, a member of the boards of directors of the National Conference of Christians and Jews and the International League of Human Rights. . . .

Do you recall that during the campaign Reagan was advocating a five-percent-per-year boost in defense spending? Why is he asking for more now? Because Carter's postelection budget contained a 5.6 percent increase. Reagan felt he had to top that. The military then sensed it had a good thing going and came in with a 12 percent request. Now you know how budgets are unbalanced. . . .

Reagan's first Social Security proposals were the most ominous development of his administration. His hasty approval of the half-wrong reform presented to him by Schweiker and Stockman proved that he had not thought out for himself the number one domestic problem—what to do about the government's income maintenance programs—he will face as president. He failed to recognize both the policy and the political errors in the proposal.

If he thought seriously about policy, he would have known that across-the-board reductions adversely affecting the poor were the wrong answer. If he thought about politics, he would have realized that people have to be educated in the issues before they can understand and accept reform. As president he is the one who should be doing the educating. And what he revealed is that he desperately needs educating himself. . . .

Here is a hint of what the wealthy will do with the savings the Reagan tax cut is supposed to produce. The hint is based on what the wealthy do now, as described in a survey reported in *The Wall Street Journal.* The survey's profile of a typical executive found him earning $85,000 a year and saving 20 percent or more. Is he investing that 20 percent in the revitalization of American industry as Gilder, Stockman, and Kemp assure us the well-off with idle funds long to do? No! He's using it to buy real estate. And you can bet your bottom dollar that he will continue to do just that as long as the tax advantages of real estate investment remain what they are today. An article in *The Washington Post* real estate section recently suggested that parents who can afford it buy "starter" houses for their ten-year-olds—pointing out that a $75,000 house bought today would be worth $273,000 in 15 years, and of course there would be a tax deduction for the interest and only a capital gains instead of a regular income tax to pay on resale, and not even that if you invest the proceeds in another home. That sure isn't going to modernize the Chrysler assembly line. . . .

The new journalism, as we have noted, has taken over the nation's front pages. Now it has gone so far it's even gotten to press releases—*government* press releases. Here is my favorite example, dated May 4, from the Department of Labor:

"NEW YORK—The drunk on the trash-strewn sidewalk barely lifted his head as the unmarked van pulled up in front of a loft building in Manhattan's Chinatown.

"Crouched inside the van, Secretary of Labor Raymond J. Donovan and a team of his wage and hour compliance officers were about to investigate sweatshop working conditions in the garment factories.

"Donovan, the compliance officers and their Chinese-speaking interpreter bypassed the broken elevator and raced up the stairs. Then they fanned out to two separate floors of the building. It was time to go to work—investigating alleged violations.

"A terrified ten-year-old girl, reportedly a recent arrival from Hong Kong, shielded her face as Donovan and his team attempted to reassure her that she was in no imminent danger. All told, the Secretary of Labor spent less than an hour in Chinatown—but the abuses he saw were unforgettable. Gesturing toward the racks of clothing being pushed through the streets around him, Donovan called for change—not just in the fashions, but for the people who make them.

"Meanwhile, sewing machines whirred on in Chinatown, as the drunk nodded on in the street below. But there was one invisible difference. The bent-backed women of the sweatshops had found a new and powerful friend."

—*Charles Peters*



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# THE REPUBLICAN SOUL

**by Gregg Easterbrook**

The little boy's father has a good heart, but he drinks. Goes on week-long benders. It's the early 1920s, a bad time to be a drunk: Prohibition has arrived and the Depression isn't far behind. The boy recalls childhood fears of an absent father followed by "loud voices in the night." At age 11, he comes home "to find my father flat on his back on the porch, drunk, dead to the world." The boy must somehow drag this great snoring, overcoated bulk to bed.

The father, a shoe salesman, has trouble holding jobs. So the family moves constantly. Usually to small towns—Tampico, Galesburg, Monmouth, Dixon—but also to the rough South Side of Chicago. Sometimes they sleep in the car. A dubious business venture leaves the family with few assets. Yet when the boy is a man and looks back on it all, he calls his childhood "one of those rare Huck Finn-Tom Sawyer idylls."

The boy is young Ronald Reagan, and this account of his childhood can be gleaned from his autobiography, *Where's the Rest of Me?,* published in 1965. Between-the-lines reading is required, because Reagan goes to some length to paint his youth as, in truth, a Huck Finn escapade. Now and again Reagan mentions his father Jack's drinking, but at no point does he remind the modern reader what a stigma drunkenness caused in small-town, Prohibition America—what shame and humiliation it meant for the whole family. (In fact, the word "Prohibition" isn't in the book at all.) Nor does Reagan even remark on why the family moved so often. It's difficult not to conclude, given the times, that Jack Reagan's alcoholism was the primary cause.

There's a haunting similarity here to the childhood of another new Republican leader, Jerry Falwell. Falwell's father was a drunk who bankrupted the family business and died of cirrhosis of the liver when Jerry was only 15.

What makes these stories important, besides the human sadness they reflect, is the lessons learned. Reagan came away from it all able to describe his childhood as an idyll. A line buried

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in *Where's the Rest of Me?* explains how: having discovered his father on the porch in a snoring stupor, Reagan "wanted to let myself in the house and go to bed and pretend he wasn't there."

*And pretend he wasn't there.* Acknowledge the good, seal out the bad. Everyone does this to a certain extent, of course, but the mechanism seems especially prominent within the new Republican wave. Reagan's book presents his childhood as Norman Rockwell would have painted it—a series of amusing, idealized anecdotes of Americana, with the hurt deeply buried if indicated at all. It betrays a conviction central to the new Republican world view: that Rockwell's pleasing images depict the sum of actual life. As if Rockwell had been a social scientist, not a painter. As if there were a Rockwellville, a scheduled stop on some bus line. A town of bemused fathers, cookie-cutting mothers, freckled lads building model planes, houses with lawns, clean-shaven immigrants assured of success. A town where effort is always rewarded and losers go away somewhere and disappear.

Of course, some pure Norman Rockwell scenes do take place in American life, and they are well worth recording. If life imitated Rockwell's art on a regular basis, we would all be happier. But it doesn't. In real life there are industrial accidents, bigots, and slums; forgotten old people; missing limbs and broken hearts. The unfortunate realities of life seem lost, however, on the new Republicans so enamored of Rockwell's interpretation. So the rationales Reagan, Falwell, and others use to back their political positions are to truth what the two-dimensional images of a Rockwell painting are to reality: evocative and instructive, but simplified to the point of delusion. Rockwellville is where the new Republican soul goes to rest.

***Step through the frame into my world. Softly now, or you'll make Ma's cake fall. Thanksgiving dinner isn't till five—five sharp. Meanwhile I'll show you around town. Here's Willow Creek. Didn't look like a creek to me when I was a sprout, though. Looked like a roaring river. We had a lot of adventures on this creek, found buried treasure at least a hundred times. These days it's too bad about the neighborhood around the creek. Wouldn't let my kids play here, no sir. Funny, now that I think of it, guess Willow Creek was sort of in the wrong part of town even back then. It's best to remember the good times, eh?***

***That's P.S. 82. God bless it. You got more than a book education there. Met all kinds. My first kiss was there, right there, in that yard. Ginny Becker. She was a terrible kisser. Bet she's had lots of practice since, though, unless the men around here need eyeglasses. Actually I don't know if she lives in town. You lose touch.***

***These days, though, private school is a must. Hang the expense. P.S. 82 has gone straight down the drain. All they teach is sex education.***

***Over there's Armco Steel. Town's biggest employer. My father worked in that plant for 28 years. Would have made 30 if he hadn't lost his hand to a stamping press. Did he complain? Not once. I worked there, too, before I went off to college. But sitting on the board of directors really gives a man a different perspective. Pollution and safety regulations are just killing us.***

The great internal contradiction Republicans harbor is, few could contest, the desire to cut



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government benefits to the poor while maintaining or even expanding favors for the well-off. David Stockman believes those without resources have "no right" to the legal system, but he appears silent on the fact that profitable corporations can deduct legal fees from their taxes. Jesse Helms thunders with rage when he attacks food stamps, but defends subsidies to prosperous tobacco farmers, whose product serves mainly to spread disease. George Gilder has lived most of his life off the benevolence of the Rockefeller fortune and its tax-exempt foundations, yet believes that unemployed ghetto mothers struggling to raise their children would be happier without any assistance.

It's tempting, therefore, to condemn the new Republicans as troglodytes, screwing the helpless while throwing subsidized roses at the feet of their friends. Some of that's involved, but less than meets the eye. Many Republican leaders are, in their personal dealings, warm and thoughtful—far more so than the splenetic intellectuals who make up so much of the liberal elite. Helms, for instance, is regarded as a man of genuine charm. He often invites tourists and other strangers to ride the "senators only" elevators of the Capitol. It's a sure bet he'd be a more welcome houseguest than, say, Arthur Schlesinger, Jr. And, like Reagan and Falwell, many Republicans know from their own experience what it means to go without. True, the party continues to have its faction of people who feel that wealth, usually inherited, makes them superior beings having nothing in common with and no responsibilities to their lessers. But it was the self-made, the middle class and the aspiring who gave Reagan his electoral majority. So the Republican soul cannot be dismissed as one *unable* to feel compassion, nor one seduced and abandoned by the expediencies of the rich. Something else must be at work.

To learn more, let's return to Reagan's life, as he himself tells it. Young Reagan has few memories of Chicago but fondly recalls the small-town life: "We moved to Galesburg, Illinois. I was deeply impressed with the big green trees and dark red brick streets. They fitted into a picture of bright-colored peace, the way some primitive lithographs do." His days are a succession of cute if suspiciously perfect anecdotes: "In a toddling expedition, my brother and I crawled under a train snorting steam in the station. We got to the other side just before it gave a mighty jerk and chugged out. Our narrow escape would have been all right except that Nelle [his mother] saw us. She nearly collapsed in the kitchen. She caught up with us as we were swiping bits of ice from the ice wagon (our target for the day) and earlifted us home."

In high school Reagan loves playing football. He heads for little (250 students) Eureka College in nearby Eureka, Illinois, because it is cheap enough to afford and small enough that he might make the football team. Eureka's president imposes an austerity plan—this is 1928 and Depression signs are showing—against which the students and faculty rebel. A student strike emerges, with Reagan a leader. One football game goes practically unwatched, Reagan says, because the local paper rushed out an "extra" on the strike and everyone in the stands was reading it instead of watching the game. Next, the college board meets into the night to consider student demands. Reagan describes the following scene: "When the trustees came out that night with gloomy dachshund faces, our committee was waiting. The old college bell started tolling—it was prearranged as Paul Revere's ride. From dormitories and fraternity houses the students came, almost all of the faculty from their homes—until the chapel was filled. Everyone but our committee was clad only in nightclothes under hastily donned overcoats." By morning "news of our unique strike had spread across the country. Reporters swarmed over the campus." It's as though Reagan were actually living a thirties movie: Extra, extra, read all about it.

After freshman year Reagan finds he can no longer afford school. But a stroke of luck. He rides with his Eureka girlfriend, Margaret, to see her off and bid goodby to the campus. He runs into the football coach. Reagan explains his plight. "In twenty minutes" the coach has arranged a part-time job and deferred tuition to see Reagan through the year.

As college ends the Depression is at its peak. Reagan doesn't know what to do with himself, and seems likely to drift back home. But a grandfather figure, Sid Altschuler, befriends him. Sid is a successful businessman whose daughters Reagan is teaching to swim. He gives Reagan some valuable advice, then offers to set him up with a job. But Reagan boldly decides to try his luck in acting, a field where Sid has no connections. Still, Sid advises Reagan on how to look for work.

He starts calling on radio stations. One of the first is WOC in Davenport, Iowa. What should they be looking for but a football announcer? Reagan gets a trial and, calling on his considerable talents, wins the job. Next a full-time announcer's job at $100 a month. He sends $10 a


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month to his older brother, Moon. "Then, just to gild the lily, I pocketed a dime each morning and, as I walked from my room to the studio, I gave the dime to the first fellow who asked for a cup of coffee." WOC, for various reasons, has to let Reagan go. But on the day they do, a call comes in from WHO in Des Moines, a much larger and more prestigious station. Do they have a sports announcer who can cover track? They do, and Reagan is on his way. Soon he is at WHO making $75 a week. About this time Jack Reagan has a heart attack. "Not only was he unemployed, but physically unable to work," Reagan writes. "But it never entered into his mind that he could apply for public assistance." Luckily, with young Reagan holding down a decent job, he can see to his family's financial needs.

Reagan, now covering the Chicago Cubs, travels to their spring training camp near Los

Angeles. Turning on the charm, he talks his way into a screen test. The studio is impressed; they tell him to come back again later in the week. But the team is leaving town, and Reagan must leave, too. What seems like a cruel twist of fate, however, turns out to be another stroke of luck. The studio interprets Reagan's leaving as a sign he really doesn't want the job. Thus they promptly offer an attractive contract—for far more than Reagan hoped—in order to lure him. Reagan, of course, jumps at the chance.

He goes on to success in B adventure movies. Slowly he learns the actor's craft and breaks into the A movies. (In those days there was a simple distinction between A and B. An A movie had name stars and was top-billed in the traditional double feature.) When Reagan lands the role of George Gipp in *Knute Rockne, All-American,* his name is made.

Reagan stays in the Hollywood spotlight a considerable time, about ten years. But then his star fades. He makes several stink bombs. In 1952, he mentions, he is offered a picture by producers Pine and Thomas. Reagan doesn't explain who Pine and Thomas were, but movie buffs will recognize them as several steps down from David O. Selznick. Pine and Thomas specialized in taking washed-up stars, like Sally Forest and Sonny Tufts, attaching their names to features filmed in a week or two, and trying to pass off the result as an A picture. Audiences may have been fooled, but the movie community was not. If you dealt with Pine and Thomas, people snickered behind your back; the equivalent today would be taking a job in a neon box on the *Hollywood Squares.* Reagan notes this in the most oblique fashion. A few pages after mentioning Pine and Thomas he writes, "One of the first signs of Hollywood chill is not only who doesn't call—it's who does." But he never explains how close to the rocks he is; Patti has just been born and Nancy's ill. Then, another lucky break. *General Electric Theatre* arrives on the scene, and tabs Reagan as host. Reagan gets a fresh start in a new medium, a chance to establish his name before an even larger audience. His second of three careers (movies, television, politics) is on its way.

Reading the book, one is struck by three things. First is how many anecdotes are just too good to be true. Naturally we all augment and reorchestrate the details of our pasts, through pride or simply the desire to tell a good story. But Reagan, striving to portray his life as one cheery Rockwellian vignette after another, sometimes exceeds even what dramatists call the willing suspension of disbelief. The newspaper puts out an extra edition for all of the 250 Eureka students. Reporters are swarming over the campus. The coach just happens to walk by as Reagan bids farewell. A toddler can waddle all the way to the train station and crawl beneath a locomotive undetected. His eagle-eyed mother can observe the scene from her kitchen window.

Twice in the book, Reagan describes boys-will-be-boys incidents where a man is knocked cold with a single punch. In one Reagan the actor accidentally kayos a stuntman. "Naturally I felt terrible," Reagan writes. "At the same time, it was the first time I ever knocked anyone out, and it was kind of nice knowing I could do it." Here is an annotated version of reality if ever there was one. Sending a man straight to dreamland with a single punch requires a lucky shot to a glass jaw, or a blow so mighty it breaks the fist. But in thirties-movie reality, it's easy.



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Any casual tap will do. Just as in thirties movies, people who are shot die instantly without pain or wounds, merely a trickle of blood from the corner of the mouth. Reagan is claiming that his own life, at least, actually did imitate art.

The second striking thing about the book is how many times luck intervened to help the future president along. What if he hadn't dropped Margaret off at the campus that fateful day? What if he'd left Davenport the hour before WHO called? What if the Cubs had taken spring training in Scottsdale, Arizona, instead of outside Los Angeles? (Reagan might today be a shopping-center developer.) How could sick, jobless Jack Reagan have pulled through the Depression if his son hadn't happened to land a decent job just before the heart attack?

Third and most striking is the absence, except in the most roundabout way, of any bad times. Life, for Reagan, is one uninterrupted march to the top. No setbacks, no despair, and certainly nobody falling by the wayside. The sorrows, like Jack's alcoholism, fold into the landscape as Reagan pretends they aren't there. Potentially painful stories are introduced but quickly capped by a happy ending, as if to suggest that every story ends happily. For instance, Reagan relates (in five sentences) the story of Lump Watts, Eureka's star player, a black fullback who once hit a 50-yard dropkick. He concludes, "I often daydream what the next three years would have been like if Lump hadn't dropped out of school, a Depression victim. Today he has his own successful trucking company."

Dismissing the existence of bad times means more than the desire to rearrange the past into a pleasant haze. It means more than restorationist nostalgia for the good old days, a standby of politics and a longing that tugs on us all, to one degree or another. It means the desire to see the world *literally the way Rockwell saw it,* a powerful element of the Republican soul. In Rockwell's art bad luck and injustice are not depicted; *therefore they do not exist.* Rockwell will deal with an unpleasant subject, but only with its most polite and presentable manifestations. The death of a boy at war, for instance, is told by the image of a grieving mother hanging a star in her window. All but the stone-hearted are touched by this image, sad and empty yet somehow, through it all, a little proud; the boy has gone with honor and mother will preserve his memory.

Nowhere in Rockwell do you see the boy die. You don't see him trapped in a blasted tank, wildly pounding on a jammed hatch as the flames choke in. You don't see him screaming in a combat ward, rolling in agony even morphine can't help as nurses cover their ears. You don't see him lying cold and forgotten in a ditch with his stomach shot open, watching his own organs slither out, crying his girlfriend's name over and over again a hundred times until death finally takes him.

Similarly, in Rockwell you don't see heroin addicts beating their wives and then moving on to the children; you certainly don't see a black child who wants to study being knifed by a street gang behind an alleged school. This explains, for one, why so many of the new Republicans speak fondly of war; Reagan himself refers to Vietnam as part of the nostalgic good-old-days haze. More important, it explains how they might make decisions about war in the future—thinking of the sad-but-sanitized Rockwell images and pretending the horror and waste of combat isn't there. (It's particularly disquieting in Reagan's case because he "served" in the "movie corps," making films like *Submarine D-1,* in which war was depicted as proud and bold, almost fun, and death was something that occurred off camera.) It explains, too, how the new Republicans can believe there is only a tiny core of "truly needy" grandmothers with broken ankles, juxtaposed against millions of carefree ghetto freeloaders living it up on the dole. It explains how fundamentally kind, gracious, and prosperous people can work themselves into a froth of anger over the pleas of the fundamentally downtrodden and sorrowful. All there is in Rockwellville is struggle, success, and warmth; despair and defeat belong in some other story.


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***Here's Pete's Garage. Heck of a businessman, that Pete. At work every morning by dawn. Lives above the shop. That helps. A real competitive edge.***

***This is First United Church. Like it? I was chairman of the building drive. Lost a lot of the congregation from the old neighborhood when we moved out here. I don't see where seven miles is such a long drive. Gas isn't that expensive.***

***On your left is Town Hall. Ninety-nine percent of our problems would be solved if we could just close down that place. Say, whatever you do, don't get me started talking politics. On your right is Margie's Cafe. Serves up a slice of cherry pie that'll send you straight into orbit. Margie herself is still in the hospital. Needed an operation awhile back. Didn't have the right kind of insurance. We all pitched in and started a fund. I incorporated it to make contributions tax-deductible. Margie will be back on her feet in no time, you wait and see.***

Most new Republicans, after reading *Where's the Rest of Me?*, might say it was fair for Reagan to portray his rise as inevitable because it really *was* inevitable. Perhaps so. Occasionally people exhibit such combinations of talent and effort that they cannot be held down. Most of us, however, operate on a more mortal level. Some stroke of fortune—like the many breaks Reagan enjoyed—is necessary for our merits to be recognized. But if you admit to yourself that success can depend on a bounce of the ball, you must admit that the ball is as likely to bounce *away* from you as towards you. If you also admit the influence of illogical, emotional forces like racial prejudice, which disrupt the random bounce and tend to force the ball away, then the present hierarchy of wealth and poverty becomes somewhat more difficult to defend. What about people who tried but the ball bounced away? What about people born into such dismal circumstances they never had a fair shot? You can pretend they're not there, but occasionally, despite your best efforts, you might encounter one of them. What do you do then?

You dip into your soul for another conviction strongly held by Republican conservatives. It is that success in combat indicates a knight is pure, that the distribution of money and position is essentially just and logical.

Success from a lowly starting point has, in the real world, three components: talent, effort, and luck. But in the new Republican world, only talent and effort function. Luck has been vanquished, as vaccine vanquished polio; breaks are "made." Underachievement results solely from failure to exploit the controllable factors. It's not so much that the poor deserve to be poor. It's that they *choose* to be poor.

Why do women make less than men? Because they choose lower-paying jobs. Why are so many blacks unemployed? Because they choose the dole. Why do many working blacks occupy menial positions? Because they choose to do poorly in school. There are no mysteries here.

It's as if life were a voting booth and those at the bottom were freely pulling a lever marked "misery." Of course it's true that some women *would* rather be part-time receptionists than corporate executives. It's true that some blacks *are* shiftless bums. But to proceed from these truths to conclude that *all* people who end up down and out do so of their own volition you must believe a number of startling things. You must believe some people prefer ghetto schools, where even a genius would be lucky to learn. You must believe some people prefer overcrowded homes, absentee fathers, and bleak streets so dangerous even children resort to hard drugs for a moment's release from fear. That's a bit much for anyone to swallow. And so, in the Republican soul, two explanations for this apparently illogical situation have been constructed. One is a cynical delusion; the other, sincere in theory if not in practice.

The cynical explanation holds that poverty really isn't so bad. The poor are taking us all for a ride, prospering from—nay, luxuriating in—their freebie lifestyle. Reagan, in his presidential campaigning, would sometimes appeal to this base assumption: "Food stamps have become a massive subsidy for some of the exotic experiments in group living you have read about. Many taxpayers find it difficult to understand why a seemingly able-bodied and otherwise self-supporting individual can walk up to the grocery counter with a basketful of T-bone steaks and lay out free food stamps, while they are buying hamburger with hard-earned cash." There are horror stories, it's true, but how many poor people in the real world have actually been



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observed with a "basketful" of T-bone steaks? Find one steak-stocked refrigerator in 100 poor houses and you have performed a noble civil service.

Republicans who have sincere reasons for opposing social welfare programs believe another spherically logical formulation: welfare actually harms the poor by encouraging sloth. Taking benefits away would really be in the poor man's interest, for then he would have no choice but to get a job (he no longer would be able to *choose* the dole). This is the principal anti-welfare argument advanced by Gilder and Martin Anderson, Reagan's chief domestic adviser.

In *Where's the Rest of Me?* Reagan indicates early sympathy for this idea. He relates stories of his summers as a lifeguard. Thrashing swimmers he pulled from the water were angrier at him for the indignity of needing help, Reagan says, than cognizant of the fact that they were going down for the third time. "I got to recognize that people hate to be saved," he notes. Later, during his days on the conservative speech stump, he would quote Plutarch as "warning" that "the real destroyer of the liberties of the people is he who spreads among them bounties, donations, and benefits." Today Reagan expresses his support for the help-hurts concept by noting that the newspapers are full of help-wanted ads. If only ghetto mothers had their benefits yanked, they would get off their duffs and apply for all those chemical-engineering openings that go begging.

Of course some lazy welfare recipients, stripped of their benefits, would go find jobs. But others would become truly desperate. Is the 47-year-old uneducated unwed mother with four children going to land a good job, no matter how hard she looks? Reagan, if anyone, should know this. During the Depression nearly all of his family and his family's friends were out of work.

But, as only survivors speak well of war, only successes in life rise high enough to proclaim the infallibility of opportunity. In order to make their "logical" help-hurts formulation sufficiently universal, conservative Republicans apply it to nearly every case. This makes them seem heartless and rigidly cruel. Dad run out on the family? Drop out of school and get a job. Knocked up at age 15? Sorry, forfeit your life, you chose to fool around. Such cruel attitudes are seldom expressed, but have powerful force among Republicans when the soul interrogates itself. Yet those who harbor such heartless views are generally not, by nature, heartless people. When their friends and soulmates—people they actually *see*—get into trouble, they respond compassionately. Corporate executive cheating on his taxes? That's wrong, but we know he's not a bad person at heart. Being caught is punishment enough, don't make him suffer further. Besides, he has so much to lose.

Extending their logical framework to the limit, many conservative Republicans—among them Anderson—contend that even the poor base their lives on pure logic and cost-benefit analysis. Anderson, in his writing, paints a picture of millions of scheming welfare recipients maximizing benefits with an amazingly sophisticated grasp of the system. They can't pass eighth-grade math, but they are computer programmers when it comes to welfare checks—racing down the alley, dodging bullets from the local drug gang, all the while performing regression analyses of marginal income curves in their heads.

***There's my office. About time this town had a skyscraper to call its own, don't you think? The firm's offices face east, out across the lake. You can see forever.***

***We really should take a spin through the old neighborhood. Haven't been there since they opened the freeway. I read about it in the papers, though. And mister, that's plenty. Gimme, gimme, gimme. The national anthem of your lower classes today. I started life over there, and look where I got. Did I ask the government to take the bar exam for me? And if I made partner at 28 because old man Emerson thought I looked like the son he lost during the war, well, what was I supposed to do? Turn it down? But now my taxes go to provide free meals and health insurance for anybody who doesn't feel like giving it the college try. If a poor person needs an operation, why can't his friends get up a fund, like we did for Margie?***

***Guess we're not going to have time to tour the old stomping grounds. When the little woman says five sharp, she means it. Just as well. Want is no kind of thing to have on your mind on Thanksgiving Day.***


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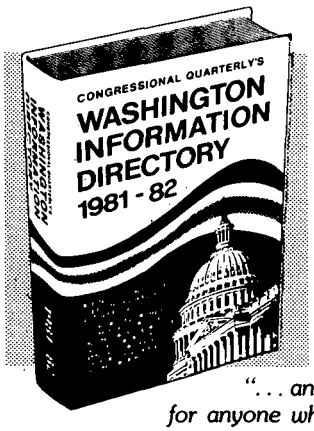
Ronald Reagan-like Republicans, who've worked their way up the ladder of life, generally are honest believers in the Rockwell vision. But there's another important component to the Republican party. When Reagan appeals so brilliantly to the goodness in Rockwell America—patriotism and religious conviction, warmth of family life and affection among old friends, the basic decency of the ordinary man—it means nothing to them. Having never seen the other side of life, they've neither experienced its little heroisms, nor acquired painful memories that must be shut out. They are the Republicans born into wealth, sometimes called the country-club set. Nancy Reagan—Smith graduate, raised by an influential doctor—symbolizes them.

A powerful motive of the country-club set is its desire to assert absolute programmed control over its environment. What's the point of being wealthy if you can't use money to drive out all of life's hassles? A table must always be waiting; a limousine must be standing by (there's never a cab when you want it). The driver must know to avoid the wrong part of town; the members-only airport lounge must be free of trash collectors and crying babies.

A low point for this crowd was the "Learlock" that struck National Airport the day after Reagan's inauguration. Some 305 private planes (many of them jets) took off from National that Wednesday, causing hours of delay. The grounded executives, celebrities, and rooty-tooty types were fuming. What bothered them was not that regular old commercial flights were taking precedence; they, too, were held up. What bothered them was losing their command over their environment. *Goddammit, I want to leave when I damn well please* was the underlying emotion. Yet mere chance was telling them to have a seat.

A controlled environment isolates the well-to-do from many of life's spontaneous pleasures. (Why not take a stroll on the Mall? Make friends with another Learlock captive?) But that's their problem. It becomes society's problem when they try to stack the deck in other ways. On the dark side of the new Republican soul is the idea, seldom stated but widely held, that it's madness to make concessions, even concessions involving fundamental equity and fairness. Take, for instance, public schools. It's often noted that the rich are not deeply disturbed by the low quality of public schools. One reason is that their children are safely ensconced in private schools. Another unconscious but perhaps equal reason is that dismal public schools ensure a large pool of slowpokes against whom rich children look good. That makes many of life's favors nearly automatic for the privileged child. Suppose everyone could go to private schools, somehow, magically, without added cost to anyone. Would the rich favor that? No. Rich children would still receive an excellent education, as they should. But it would no longer be an *advantage*. A privately educated child would not be automatically more admirable and more employable, as he is today.

Most well-off Republicans feel this at some level but would never express it openly. Others, however, make no pretense. You can see it in their eyes as talk turns to the down-and-out; they show contempt for anyone who brings up the subject, considering him squishy at best, a flaming hypocrite at worst. "There are winners and losers in life," the bolder among the country-club set will say. "I don't know about you, but I intend to be a winner." Republicans of this ilk absolutely revel in the stacked-deck advantages of private schools, Ivy League degrees, and other little amenities like insider stock deals.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Another insider mechanism all but mastered by the privileged is the American legal system. This explains, in large part, the burning Republican resentment against the Legal Services Corporation, which provides lawyers to poor people involved in civil proceedings. Many Republicans, deep down, think of courts as having little to do with justice (except in criminal cases, and of course there are public defenders to ensure fairness there). Courts are, to them, an auxiliary of wealth; lawyers are a servant class, like chauffeurs and kept women, just much better paid. People should have to work for the privilege of having a lawyer. Besides, what do the poor need lawyers for anyway? They don't have tax shelters to manage or takeover bids to deflect. Giving them lawyers shuffles a crucial part of the stacked deck. It's just asking them to make mischief, begging them to ruin a good thing. (This is translated, in Republican doctrine, into the complaint that Legal Services lawyers generate "impact litigation" that "makes social policy.")

Once country-club Republicans are sealed into their controlled environment, two things are likely to happen. First, it becomes easy for them to believe that the worst elements of human nature run amok in the lower classes. The papers are full of random shootings, rapes, domestic violence. When you see striking miners on television, they're fist-shaking drunk and shouting obscenities. Meanwhile the triumphs and sacrifices of day-to-day life are not making the news. So, to the wealthy distant observer, the lower classes appear as wounded animals turning against each other. They can't be dealt with, they can only be kept out of the neighborhood so they don't turn on us, too. The second feature of privileged isolation is a susceptibility to conservative prophets claiming to explain the whole of nature with a few logical formulas. Republican elites lack the personal experience with which to see that theories like Gilder's break down when applied as master plans for all reality.

The level of Republican contact with reality was highlighted recently by Vice-President George Bush. Making a major speech on regulatory policy, he began with the folksy touch of reading a letter he'd just received, "written by a coal miner." The "miner" told Bush that "due to excessive pressure, unjust regulations, and civil penalties that the federal government has imposed on the coal mining industry, our future in maintaining jobs in the coal fields is in great jeopardy . . . we feel that the Code of Federal


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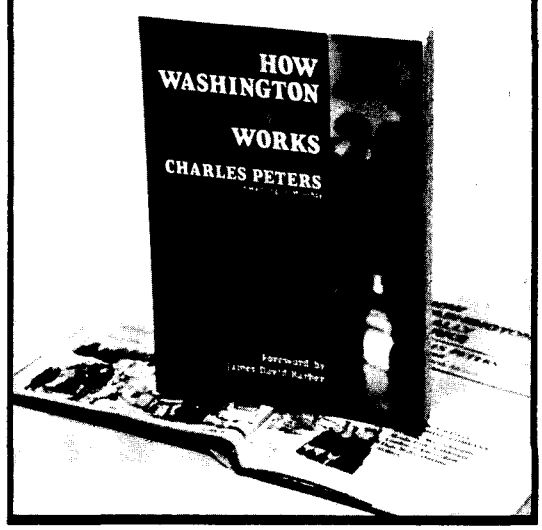





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Regulations is hampering our production and making it impossible to compete with foreign imports." Who's kidding whom? A coal miner wrote *that?* But Bush, obviously, believed the letter was the genuine article. So, too, did his staff. All took this volley of legalese, launched by some lobbyist's word processor, for a bulletin from Middle America.

Ivory-tower isolation is an old story among Republican elites, and in the past has done most damage to the Republican himself, who someday must meet his Maker and give an accounting of his life. Now that the party has shifted to populist rhetoric [see "The Evolution of the Conservative Mind," by Nicholas Lemann, May] it's different. Now Republicans claim to have in mind the interests of their dear friends and allies the sanitation workers. It seldom comes out that way. When new Republicans concede that among sanitation workers and shoe salesmen there are a few deserving down-and-outs, they still can't abide the idea that government should compensate. They advocate, instead, private charity. The form of charity they seem to envision runs along the lines of a bake sale, a ball, and giving your used coveralls to the handyman. They advocate this informal and somewhat unreliable system for those they never see. But when their friends in business are struck by hardship it's big government to the rescue. Republican conservatives are willing to admit the world is less than perfect only as it regards their personal acquaintances and soul mates.

When Dr. James Edwards, energy secretary, was asked what he thought about General Public Utilities, owner of Three Mile Island, he was obviously moved. Edwards said he saw "a company that's in trouble and needs some help." If he'd uttered these sentiments about an unemployed GPU *worker* he would have been scorned by his associates, but nary a Republican eyebrow was raised when he said it about the *company* (and, by inference, its managing executives). This indicates another fact of the Republican soul—it secretly longs to lose on many budget cuts. Reagan, Stockman, and the rest were concerned that the budget *proposals* be fair, since "all must share the burden." As for what actually passes, that's another matter. Reagan's initial budget, for instance, proposed elimination of most of the multimillion-dollar yearly subsidy to private pilots (average income: $44,000). But the private pilots' lobby started twisting prominent arms, and Stockman quickly seized on this as an excuse to abandon the cuts. Reason? "Political realities." This theme—that no one may veer from the strict logic of budget cuts for the poor, but illogical "realities" of the real world may be taken into account when dealing with favors for the well-to-do—dominates much of budget maneuvering. [See "Less and More of the Same," page 28.] In the Republican soul, fairness is now defined this way: *Try* to cut everyone equally. And if realities mean you can *succeed* only in cutting the voiceless poor, well, at least you tried.

But this subconscious conviction, like others, doesn't carry the mail in the conscious world. So Republicans need *official* reasons why, Jeffersonian disclaimers to the contrary, they think government subsidies to high-living executives, Fortune 500 businesses, and the rest are good ideas. What's at work is not the widely suspected fact that Republicans are closet monarchists, pining for the good old days when men were men and serfs were serfs and the poor laborer's greatest thrill (besides cockfights) was contributing to the elevation of the rich. What's at work is that Republicans have convinced themselves there are good favors and bad favors. The good favors—call them rewards—are available only to those who earn them by reaching high stations in life. The bad favors—call them handouts—are given away to anyone. School lunches are handouts, business lunches are rewards.

Seen in this light, many new Republican priorities become Waterford-crystal-clear. Amtrak must go, it's a handout. Subsidized fares for janitors and able-bodied welfare cheaters. Anybody who can't afford plane fare—*we* certainly don't know anybody who can't—ought to stay home and concentrate on looking for work anyway. Private aviation subsidies, on the other hand, are a reward. They go to doctors and executives and move them around the country quickly so they can be more productive. Aid to Families with Dependent Children must go. It's a handout and a social experiment to boot, dictating living arrangements to a whole class of society. Interest deductions for home ownership (first or vacation), on the other hand, must stay. That's a reward for putting together a credit history, and although it's a social experiment, it's one social scientist Norman Rockwell endorsed after exhaustive research. Solar-power subsidies must go. That's a handout for a technology that can't make it on its own in the marketplace. Nuclear power subsidies, on the other hand, should be expanded. That's a reward for proving industry-government cooperation can bring great achievements to this nation.



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Medicaid must go. That's a handout for loafers who can't be bothered looking after themselves. Tax deductions for employer-sponsored health plans, however, must stay. That's a reward for holding down a job. And if it costs the Treasury $21 billion a year—$3 billion more than the entire Medicaid system—that just proves a little incentive goes a long way.

***Time for one last stop. My favorite spot in town . . . the softball diamond. Drop by here every chance I get. Really gives me a lift. You should see all the little black kids—they look like a million bucks in a nice clean uniform. The firm pays all the expenses, of course. We won the league last year. Now tell me any child who can excel in a baseball game can't do just as well in school. Or find a job.***

***The manager is Joe Washington, our church custodian. Heck of a guy. Never been late to work in his life. Got into a little legal trouble awhile back. Mistaken identity. Could have been put away for good. I took care of it for him. Joe knows he's got friends.***

***Got kids, too. But he can't bring 'em out to the park. They live with the mother. Nothing I can do about that. The payments have been a burden for Joe. He can't afford much more than a hole in the wall now. Or so I hear. I've never been to his place. He's been to mine, though. Does some gardening for us.***

Sometimes even a carefully constructed world view breaks down, and there are Republican policies no reasonable explanation can satisfy. Defending the intense Republican desire to maintain tobacco subsidies, for instance, Agriculture Secretary John Block noted that without them, "the price of tobacco might be reduced. People would smoke more, maybe getting cancer from it."

In another area, the Reagan administration opposes safety regulations for products sold overseas. The position stems in part from extending its Rockwell view to the entire world: how can water ever be so bad it makes infant formula kill little babies? Why, here you can drink from a garden hose. But there is also a backup explanation. *Regulation* magazine, organ of the American Enterprise Institute, editorialized that most overseas safety regulations are not logical because "the cost-benefit tradeoffs are simply not the same abroad." That's the country club's way of saying, "Life is cheap over there." And if that doesn't sell you, *Regulation* adds that "products not complying with our solipsistic standards would simply be sold by manufacturers from other countries." There's another one of those "realities," ones that count for beleaguered businessmen but not for unemployed mothers. It recalls Lyn Nofziger's statement when confronted with his ownership of slum housing: "If I didn't own them, somebody else would."

Perhaps the favorite all-purpose Republican rationalization, however, is the "trickle-down" theory. No matter how outrageous the lifestyles of the well-to-do, and however greatly those lifestyles are enhanced by tax breaks and the like, we're all better off the way things are because money spent at the top eventually trickles down to the bottom.

Among the most productive tricklers of our day are the members of Ronald Reagan's social circle—the Walter Annenbergs, the Justin Darts, the Charles Wicks, the Alfred

Bloomingdales. They've moved into Washington in a big way. *The Washington Post*'s Stephanie Mansfield recently reported that this group has taken up residence at the once-again-chic Watergate Hotel. The Annenbergs are spending several thousand dollars weekly for a suite; the Wicks prefer a $260-a-night arrangement. The group eats three nights a week at


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Watergate's Jean Louis restaurant, where dinner costs about $250 a couple. Lee Annenberg has a hairdresser up to her suite every morning. Parties are nearly continuous: "The Wicks for the Reagans, the Wicks for the Annenbergs, the Bloomingdales for the Wicks, the Darts for the Annenbergs." The group is partial to veal, consomme with truffles, and passion-fruit sorbet. The hotel spends nearly $10,000 per month on gifts for these and other new Republican VIPs: "fresh raspberries flown in from Chile, chocolate truffles, orchids, champagne, copies of *The Los Angeles Times* on their doorsteps every morning, marzipan elephants on their pillows at night, his-and-her Christian Dior bathrobes with a large 'W' embroidered on the breast pocket." Watergate official Diane Sappenfield told Mansfield, "They're our *royalty.*"

Naturally, the lives of the super-rich seem comical in their profligacy. But if you're that well-heeled, why not have truffles every night? You couldn't spend all your money if you dedicated your life to it, so why "save"? Why, indeed; how the super-rich spend their money is nobody's business but their own. Except in one special case. *These are the people President Reagan hangs out with. He sees them socially almost every day.* His life is no longer a Huck Finn idyll. It's marzipan elephants and $250 dinners.

Those who know Reagan say that, when alone, he is an excellent listener. He is interested in what people tell him and sympathizes with the trials of daily life; if you tell him a tale of misfortune, he is genuinely moved. That's when he's alone. When he returns to his glittering social circle, however, the corks begin to pop, the bubbles bite the nose, and he forgets what was troubling him. Nancy chatters with Jerome Zipkin about her $1,650 handbag, Punky Dart shows off her latest necklace, and somehow it's just hard to believe a little $92-per-month cut in food stamps is going to make any difference to anybody.

Perhaps Reagan's desire to be surrounded by the super-chic is the natural outcome of his small-town roots. Not only did he make it big in life, he married the girl at the top of the hill, and was accepted into her society. Acceptance into society is, as we know, one of the few things money cannot always buy. Whatever Reagan's personal reasons for choosing his friends, it's clear why they chose him. Upper-crust Republicans know their "let them eat quiche" philosophy will not sell in the political world. But they don't ever, ever want to get involved in talking through the ideas and programs that will. Welfare, hospital costs, defense; it's so boring! There are parties to go to! The Wicks for the Annenbergs! The Bloomingdales for the Wicks!

Yet the Republican upper crust needs someone who is willing to talk about worldly problems, at least nine-to-five; someone who genuinely believes a politics that will not trouble the anointed. That's the politics of Rockwell, and Reagan is its spokesman. Thus highborn and self-made Republicans make a compact: they'll all either believe in Rockwell, or at least pretend they do. Those who believe, like Reagan, will sell the product to the public. Those who don't believe, like the Annenbergs and the Bloomingdales, will shelter Reagan from the real world to ensure that he is never distracted by snoring drunks and jobless shoe salesmen. And if somehow he is, well, then we'll all pretend it isn't there.

***Just smell that turkey! Gonna be some feast, I promise. Plenty for everybody. All that racket you hear is Lady, the collie, and her new pups. Built Lady her own little house when we had the pool enclosed. Can't raise a family without a house.***

***You know, anything is possible in this country if you keep your head up and your eyes on the ball. But these days the government seems determined to put an end to all that. Welfare, taxes, regulations—some mornings I just don't see the point of going downtown. These days holding on to money is a bigger challenge than making it.***

***For my part—down, Lady—I've stopped investing in anything new. Where's the incentive? I put all my money into antiques and art—like that painting you stepped through to get here. Things of lasting value, and I don't have to tell you about the tax advantages. But I won't buy those squiggly lines they call art today. I buy real art, art that's about life. Here, take a look at my collection. Bet you recognize some of it. They're all Norman Rockwells.***

□



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# ENDALL:
## The Ultimate Cost-Benefit Analysis

ILLUSTRATION BY PAT MORRISON

**by Jeffrey Angus**

August 17, 1982. 6:58 a.m. John Q. Lunchbox punches in at the Mercuric Manufacturing Company toy factory in Dalkon, Ohio.

9:22 a.m. While pouring hot mercury into a toy mold, John loses his balance. There is no guardrail. He falls into the mold. The foreman, who is off on his break eating a Twinkie, does not hear John's cries. Before anyone discovers the accident John is inadvertently stamped, annealed, painted, and shipped out as 36 Johnny Covert Commando dolls ("Realistic action! Wind him up and he shoots the wrong man!").

10:51 a.m. Judy Lunchbox, John's wife, receives a call from the company. She is the lucky recipient of $110,000, the exact value of John's life as calculated by the U.S. Supreme Court. The sum is electronically transferred to her bank account.

1:15 p.m. Judy buys four years of college education for their son, Lance Lunchbox. With the remaining $20,000 she buys a 1983 Pinto with the Tris-coated safety gas tank option, some 2,4,5-T herbicide to rid her backyard of weeds and songbirds, and some lead paint to decorate the kids' room. She also buys asbestos insulation to make her home energy-efficient. Then she deposits the remainder in a non-interest-bearing Christmas Club account, and makes preparations for John's funeral. Unfortunately she becomes lost in a ninth-stage smog alert and cannot find her way to the funeral parlor. The parlor bills her for a deluxe casket anyway.

*Jeffrey Angus is an official of Enviro-Kinetics, a Seattle consulting firm, and a former aide to Senator Gaylord Nelson.*



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## Be-all and ENDALL

Does this sequence of events seem far-fetched? Given the Reaganite outlook, it isn't. The triumphant Republican political majority is intent on establishing strict cost-benefit accounting as a paradigm for economic regulation, and there seems no reason why the analysis should not extend to the cost of life itself.

Cost-benefit analysis traditionally has been used to justify certain government projects, especially Army Corps of Engineers construction. It works this way: The cost of, say, flooding Alabama is calculated. Perhaps it's $50 billion. Then the benefits are imagined—fishing, recreational boating, power generation, and so on. A dollar value is assigned to each benefit. It's somewhat subjective—what is waterskiing "worth" in hard dollars?—but if the benefits turn out to be, say, $50.9 billion, the project is labeled "cost-effective," and bingo, in come the bulldozers. (Occasionally the ratio of benefits to costs is not high enough, so proposed projects are jettisoned.) This process is considered a "rational" way to make policy choices, and in recent years its use has expanded into other fields like pollution, health, and safety regulation. Subjecting government programs to cost-benefit analysis is a popular cause right now among Reaganites. The administration is committed to applying it to *all* federal regulations.

But ultimately a health-and-safety cost-benefit study is of no use without assigning a fixed dollar value to human life. So New Right thinkers have begun demanding that the Supreme Court decide what life is worth and make it official. Once an absolute value of life has been determined, they claim, we will have a straightforward way to measure ("cost out") things like OSHA and EPA regulations and determine whether chemical-exposure, air-pollution, and water-discharge protection are really worth the expense.

The Supreme Court recently dealt the administration a blow in its decision in the "brown lung" case, but it's my view that this is a political question, one to be resolved by the legislative branch. Congress should act now to establish a uniform Exact National Death Allowance (ENDALL). A national ENDALL would prevent various state courts from setting different dollar values on life, which would lead to a crazy-quilt situation in which it would be more profitable for industry to kill workers or consumers in one state than in another. To foster interstate commerce, killing consumers or workers must be equally profitable in all states. A uniform ENDALL would also help assert our finest democratic tradition: every citizen would be worth exactly the same amount.

A single ENDALL would help vault our economy back into the forefront of world trade. We may not be able to out-design the Germans or outproduce the Japanese, but surely we can out-account them. ENDALL offers numerous practical benefits. Among them:

- We would not have to endure time-consuming, multimillion-dollar lawsuits resulting from occupational death or medical malpractice. The guilty company or malpractice insurer would simply consult ENDALL tables and pay up a predetermined amount.

- In the interest of precision and efficiency, one could use ENDALL to calculate how much a year, or even a day, of life is worth, just by dividing ENDALL by the victim's life expectancy. Then, for instance, if people who eat tofu inadvertently laced with paint thinner did not drop on the spot but lost ten years of life expectancy, they could be compensated immediately.

- ENDALL would make possible "life rights" for industry. Life rights would be similar to mineral rights, or, perhaps more precisely, patterned after "pollution rights." Pollution rights are an existing legal means whereby one factory, holding an EPA permit to discharge a certain amount of pollution, can sell its right to pollute to someone else. If industry could purchase life rights from workers, it could then expose them to whatever processes and substances were most efficient, safe in the knowledge that costly regulations and time-

"WHAT HAS corrupted the media has been the mania for the exposé, the desire to appear 'in the know' about everyone else's corruption, from high officials to the society at large. They pretend to know when they only suspect, and they fail to question their own suspicions. Until 'Jimmy', they have too seldom suspected themselves. But seeing a colleague shamed and ruined can have a healthy effect on the conscience. We'll see."

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consuming litigation could be avoided. Supply-siders, imagine how productivity would leap! Employees would benefit, too: they would be precompensated for their suffering based on the ENDALL index—the way Kamikaze pilots were granted their honors in advance.

• ENDALL could open broad vistas in creative finance. Labor costs could be depreciated and life rights, a purchased commodity, could earn investment tax credits, giving industry still more ways to dodge its tax responsibilities. Employment would be increased for the poor and minorities (albeit under high-risk circumstances). Social mobility would be increased, as the poor would be able to sell their health for large lump-sum payments, move out of the ghetto, and enjoy suburban living, however briefly.

• Business and government would not be the only beneficiaries. Average citizens would have the opportunity to purchase life rights to their neighbors, friends, or even celebrities. If a hot rodder wanted to blaze down suburban streets at redline speed, or an NRA member wanted to hunt pigeons in a public park with a shotgun, each could buy (or lease) local life rights and be indemnified against lawsuits should anything untoward occur. Similarly, those with exotic sexual preferences could buy the life rights of their partners to protect themselves from legal entanglements should they get carried away in the heat of passion. This alone would make San Francisco a more efficient, productive city.

The hurricane winds of cost-effective accounting are sure to sweep ENDALL through Congress. But why stop there? Why not go on to an international ENDALL treaty? Think of how much more efficient and productive war would become. If you remember that it cost approximately $10,000 to kill each enemy soldier in Vietnam, the advantages of war-by-ENDALL become obvious. An international ENDALL treaty would set lower compensation rights for death in the Orient, where, as we all know, life is cheap, and especially high rates for the death of an Israeli, making even petro-sheiks unable to afford to continue Middle Eastern wars. And the rate set for total nuclear demolition of the world could be so high, no sound fiscal manager in Washington or Moscow would ever advocate Armageddon. The threat of widespread death by nuclear war would be ended forever, and, secure from the danger of being annihilated by hostile foreigners, nations could go back to the business of killing their own through chemicals and pollution. □

## The Washington Monthly Journalism Award

April 1981
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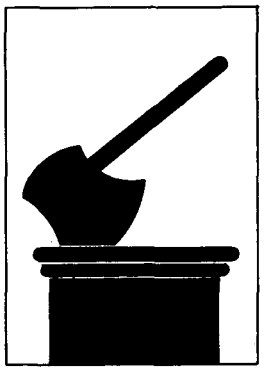
# REAGAN'S BUDGET "REVOLUTION"

## Less and More of the Same Old Thing

**by Jonathan Alter**



The damn thing is so big, so indigestible, yet it was swallowed so fast that to this day one suspects not even David Stockman really understands the full dimensions of the administration's budget. Sure, you get the gist of it; every fourth-grader knows Reagan wants to slash domestic spending and pour on the coals for defense. But beyond that, what do those thousands of charts and figures really *mean?*

One thing they certainly don't mean is new ideas. For all the headlines, cover stories, and triple-dose Sunday-morning interview shows about "new beginnings" and "new departures," "master plans" and "blueprints for America," the budget doesn't exactly knock you off your feet with its creativity and insight. Some of the particulars might make the hairs on your neck prickle—and well they should. But overall the document presents nothing like the profound "rethinking of assumptions" it promised.

Rethink. That was the key word. It suggested to cheerleaders and tomato-throwers alike that something fresh and original might actually make it into the budget. Even if the ideas weren't acceptable, at least they would be . . . new. Instead we got more of the same. Cuts and boosts. Less and more. Bad (this time, domestic programs) and good (this time, defense). Some of the adjustments are so dramatic, they contain so much shock value, that you almost forget how conventional they are. You forget that the domestic approaches—slapping a "cap" on some spending programs, shunting others off to dusty death in the form of block grants—are not "new beginnings" toward a more effective government but tired old quick-fix ways of picking up a few billion in savings and dumping the problem in someone else's lap. And you forget that for all the eye-popping size of this defense budget, most of it is for more of the same things Carter was buying. The "new" items are old ideas, like the B-1 and the battleships.

Cutting domestic spending is like dieting. It can be a good plan if it's done intelligently. The trick is to reduce consumption in the right combination. That means figuring the cumulative effect, not only on your weight, but on your health. The Reaganites didn't do the latter when figuring their social cuts—the combination of cuts in programs like Medicaid, food stamps, and welfare. "Taken alone," concluded a University of Chicago study authorized by Thomas C. W. Joe, a high-ranking HEW official during the Nixon administration, "each cut seems to be small enough to allow a recipient to absorb it with other income. Taken together, the effects of the cuts are great enough that many families will be unable to meet their monthly living expenses." According to another source, the Congressional Budget Office, 649,000 poor and near-poor families will lose an average of 16 percent of their spendable income. And of the very poorest families in the entire nation—those with incomes 50 percent below the poverty level—*more than half* will have to get by on

*Jonathan Alter is an editor of* The Washington Monthly.



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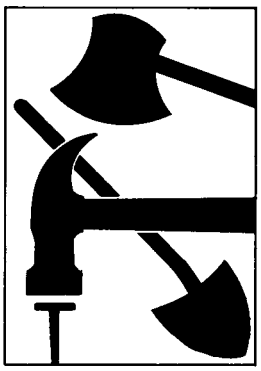
something less than what they get now. Remember, these are not wily welfare chiselers who have been identified, caught, and punished. They are millions of hapless victims of a confused policy, singled out at random and told that a few thousand dollars a year is too generous a sum to live on.



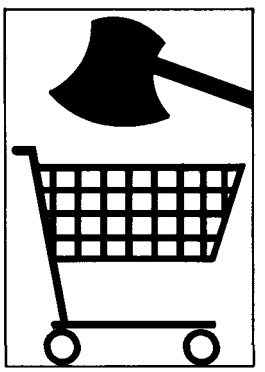
ILLUSTRATIONS BY DAVID KIDD

Given Reagan's long-standing attitudes, none of this comes as much of a surprise. What's peculiar, though, and what should give you the sense that the administration is not dieting properly, is the effect of the cuts on the *working poor,* a group for whom Reagan might have been expected to have some fondness. Take, for instance, a New York mother with two children. Right now, after working all month for $4 an hour and collecting all the welfare payments, food stamps, and so on for which she is eligible, she will bring home $212 more each month than her neighbor, who also has two kids and sits home watching soap operas all day. Under the Reagan plan, that New York working mother will be bringing home only $37 more a month than the soap opera watcher. Why should the mother continue working? Why should her neighbor turn off the tube and start pounding the pavement for work? The effect of all this on the estimated 50 percent of adult welfare recipients who are either working at low-paying jobs or actively seeking work isn't hard to imagine.

## Captrap

This is the kind of masterful thinking that pervades the food-stamp-cut proposals, too. In trying to throw a million people off the rolls, the Reaganites succeeded in erecting the kinds of cutoff points for earnings that are guaranteed to make people quit their jobs. A woman with three children and making $5.25 an hour now qualifies for $99 a month in food stamps, but under the Reagan plan, if she gets a raise of even a dime an hour, she loses all of the stamps. Think for a minute about the salary of $5.35 an hour. It can barely feed one person with a kid, or even two. It cannot possibly feed a family of four anything but a few boiled potatoes and Ken-L Ration.

This doesn't mean the Reaganites were wrong to train their eyes on food stamps. It was smart, for instance, to establish a system allowing the government to recoup overpayments issued in error—a feature unaccountably missing from the previous program. And it made good sense to end a silly provision allowing recipients applying for stamps at the end of the month to get them for all of the earlier weeks of that month. But overall, the food stamp cuts were shot through with malice. Even a usually pliant Congress couldn't quite stomach the Reagan crackdown on elementary school kids who eat free school lunches then go home to families with food stamps. And the $10 billion cap on the program is an absurdly simplistic—and cruel—way of holding down spending.



Food stamp caps, wildly popular with Republicans (Florida Senator Paula Hawkins announced her support for this year's at a Senate luncheon where sirloin steak, out-of-season asparagus, and a strawberry mound graced the menu), are a cheap gimmick for holding down the deficit. They were a harmless enough deception during the Carter years, when supplemental appropriations could always be expected to make up the difference after the program ran short. But Reagan has pledged to oppose any supplements, even if unemployment (and thus food-stamp need) rises. That means *everyone* on food stamps—even the most "truly needy" recipients of all—will have their stamps cut significantly somewhere around the end of FY 82 when the funding runs dry. Poor people had best learn the fiscal calendar—and avoid getting hungry in the fourth quarter.

They should also avoid getting sick, for a similar cap is scheduled for Medicaid spending. But the administration is making no effort to correct the waste, fraud, and abuse (remember those Reagan words?) that have turned the program into a joke. Keep in mind that Medicaid's staggering expense increases have come at a time when nearly two million *fewer* patients are eligible than were five years ago. Obviously it is *medical costs* that are the problem. But instead of cracking down on the inflationary habits of the health industry, the Reagan administration has chosen the quick fix of putting a cap on overall spending.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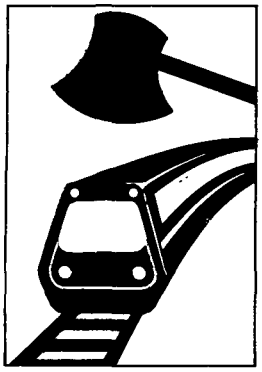
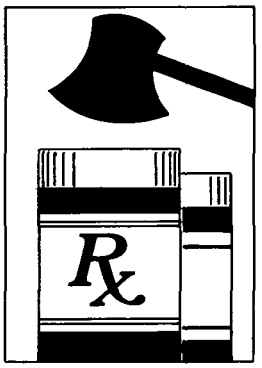


The budget cut can be a powerful weapon, not just to reduce or increase programs, but as a way of fighting to improve them. The failure to do that for Medicaid was duplicated throughout the domestic budget. The threatened elimination of Amtrak and mass transit subsidies provides good examples. These subsidies are wasteful for a particular reason: most of the federal money ends up with the labor unions as fat pay contracts and perks. The Amtrak contracts are such that even after the service cuts next year, $200 million will have to be paid to rail workers whose trains are in storage. We're getting nothing for something.

If the administration had really wanted to reform transportation, it would have tied federal subsidies to a reduction of featherbedding and to control of the cost of salaries and benefits. City negotiators, who have been almost powerless in their talks with unions, could then accurately claim, "Uncle Sam made me do it." Similarly, Amtrak could be given both an incentive and the legal power to reduce its labor costs. For example, it is now paying many of its conductors $35,000 a year for working days that consist of a mere 100 miles of travel.




Rethink . . . reformulate . . . Despite all the rhetoric, the Reaganauts still don't understand that the best way to make genuinely important changes, changes that can both save money and improve a program's effectiveness, is to rethink the basic *concepts* that underlie the big-ticket income-maintenance items. This was painfully clear on the issue of Social Security.

Reagan hasn't even begun to come to grips with the basic structural weakness of the system. The central problem with Social Security is very simple: we can no longer afford to give it to those who don't need it. Working people, including many poor ones, are helping pay for trips to Europe for wealthy recipients, who get Social Security checks not to make them more financially secure (which they already are) but as a kind of bonus underwritten by the rest of us. Eighty-year-old Representative Claude Pepper, to use an appropriate example, is a millionaire who also receives more than $7,700 in Social Security a year.

But instead of trying to do something about that, Reagan moved to cut benefits *across the board*—which means the elderly widow living in squalor would have her benefits cut by about the same as Claude Pepper. The second major part of the Reagan plan, ending early retirement, makes more sense: people stay healthier longer now than they did when age 62 was first specified for early retirement, and working as long as possible can be good for your health. But this idea was sprung on people who *assumed something different*—people who had already made their arrangements, already planned the move to Florida. All of which makes the Reagan plan unfair, not to mention unpopular.

But let's say you're 39 or 49 instead of 59. You aren't making those specific retirement plans yet (or you shouldn't be), and even if you are, you've still got time to adjust—if the government warns you. Here's where presidential leadership comes in. Reagan's most important task is to educate the people about demographic realities, explaining that Social Security is a pay-as-you-go transfer payment, not the kind of salt-it-away insurance policy many of them still believe it to be. His responsibility as educator includes acknowledging that the program can no longer afford to pay those who live comfortably without it, and preparing those under 50 for the changes ahead.

Those changes should include eliminating the payroll tax and funding Social Security through the income tax. That should assure not only that Social Security goes to those who most need it, but that it's paid for by those who can most afford it. Right now, the regressive Social Security tax weighs so heavily on poor and lower middle income people that even if Reagan's income tax reductions do all they promise, most individuals in these brackets will soon be paying substantially *more* in *total* federal taxes (income and Social Security combined). That makes Reagan's tax-cut plan an even greater charade than it already is. The majority of Americans not only won't get any relief, they will be shelling out more—thanks to rocketing Social Security taxes.

Another scandal is the generous pensions given federal civil servants for retirement as early



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as age 55. Some of them are earning more in retirement than they would if they were still working at their jobs. Others, called double-dippers, retire from one government job and take another, so they collect both salary and pension.

For all his brave noises about taking on the federal bureaucracy, Reagan has been extremely cautious about taking on the government-employee lobby. Washington has about 361,000 federal employees. The Reagan Revolution, for all its promise, will eliminate only about 4,500 jobs, or a little more than one percent of the local federal work force. *One percent.* After all the build-up, all the rhetoric about really changing Washington, Reagan's favorite whipping-boy got off without a scratch. Thousands of bureaucrats will be kept on to administer nonexistent programs, author doomed regulations, and spend money left out of the budget.

The Department of Energy, which as recently as January was slated for total elimination by the Reaganauts, anticipates losing only about 275 out of 8,500 employees in the Washington area. The National Endowment for the Arts, whose budget may be cut by 50 percent, is scheduled to drop no jobs. (The same number of people will administer half as much money—how's that for productivity.) Ditto the Humanities Endowment. Nor will the majority of other agencies and commissions, most of which have more bureaucrats than they could possibly need. The Environmental Protection Agency, which has less to do since its major pending regulations were frozen, will let virtually no one go. Most significant of all, the 28,583 Washington-area employees of the Department of Health and Human Services are expected to suffer an insignificant number of layoffs.

It is easier to eliminate money than to eliminate the jobs of the bureaucrats who hand it out. One reason is that the civil servants have a powerful lobby. The poor have none. Another reason is that it is much easier to say "cut $50 million" than it is to figure out which 50,000 officials could be cut without impairing the government's effectiveness. The latter takes real knowledge of the bureaucracy; the former merely requires indifference to the poor.


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## Hot Rod and High Tech

Mindlessness, you might say, is indivisible. Mindlessly increasing defense spending grows out of the same grooved mentality as mindlessly slashing domestic programs. Still, you have to hand it to the Reaganites: they have taken an approach to public affairs thoroughly discredited by liberals, and given it new life. Throwing money at problems is popular again.

Exactly why the Pentagon was almost totally exempt from budget cuts remains a mystery, but part of the answer might be found in the person of David Stockman. It may be that Stockman, who opted for divinity school at the height of the Vietnam war, feared the New Right would paint him as some kind of macho-lacking peacenik if he even blinked at a defense project. Meanwhile, defense contractors felt they had best hop the gravy train while it rolled past, and thus pressed their advantage early on.

It would be one thing if we were really buying more security with Reagan's billions; unfortunately we may be buying less. As James Fallows demonstrates in his new book, *National Defense,* military *spending* has little to do with military *strength.* Many weapons cost fantastic sums but don't work when you throw the switch; they actually detract from security by diverting resources away from useful weapons and encouraging an attacker to probe for weaknesses.

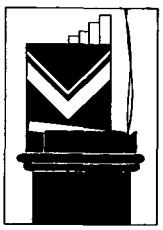
Like hot rodders, generals are obsessed with

## Knee Jerks, Sellouts, Cave-ins and Other Acts of Leadership

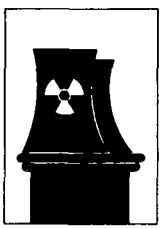
Most of Reagan's budget actions, if wrong, are at least open to debate.

In some instances, however, the Gipper has been playing without his helmet. A portion of the budget actions are just plain indefensible. Here's a rundown:

**Well-heeled tar and fat milk solids.** Not a blessed thing has been done about the tobacco subsidies, which next year will cost taxpayers up to $200 million. Fighting cancer, much of it tobacco-caused, in turn costs another $8 billion a year, a bill shared by taxpayers and private insurers (consumers). And it's a losing battle.



You can understand why Jesse Helms would prostitute himself for tobacco interests, but what about Reagan? He's not the president of North Carolina. Meanwhile, though the administration won a victory by delaying a scheduled increase in milk price supports, it has said nothing about *changing* that subsidy program. Other milk price-support increases will take effect as planned, and government purchases of surplus milk products (which inflate prices by artificially heating up demand) continue.



**Stop me before I breed again.** In 1977, then-Congressman David Stockman condemned the $3 billion Clinch River breeder reactor project as a particularly bloated boondoggle for an industry already floating on a sea of subsidies. This year, OMB Director David Stockman still didn't like the breeder, but in the face of pressure from Tennessee Senator Howard Baker found breeders worthy of a 60 percent budget boost anyway.

The breeder program's original justification was that fissionable uranium would soon be in short supply. Breeders make fissionable plutonium from unfissionable uranium. As it's turned out, uranium supplies are holding strong and uranium demand is stabilized, if not slumping. But that hasn't stopped the bureaucratic momentum of Clinch River, which Senator Gary Hart calls "a CETA program for nuclear engineers."

Meanwhile one might think an administration concerned about terrorism wouldn't want to go into mass manufacture of the most dangerous substance ever created. It's bad enough that a Libyan agent needs only a few pounds of plutonium to make an atomic bomb. He needs only a few *ounces* (and no technical skills) to poison a major city's water supply.

• **Maritime of the essence.** Shipping interests continue full steam ahead with their $500 million-a-year subsidy—special breaks for American shipyards, "cargo preference" rules requiring government goods to be shipped in U.S. ships regardless of cost, and observance of maritime union rules dating to Jean Lafitte (and operating under a similar spirit). U.S. cargo ships cost, on average, two and a half times as much as similar foreign-built ships. Meanwhile union rules stipulate that 34 seamen be aboard a diesel freighter that, in Sweden, for instance, would sail with a crew of 17. Must be those Scandinavian biceps.

All this to insure the U.S. shipping industry remains "healthy." Healthy, apparently, in the same sense as the tobacco industry. You would think Reagan's free marketeers would take note of the fact that one of the country's few consistently profitable maritime firms, Sea-Lands, is also the only major company to refuse government subsidies.

• **Into the air, junior executives.** Ticket taxes for commercial airline flights (and taxes on air shippers) pay for about 88 percent of the government services commercial airlines receive. Private aviation—an industry serving wealthy individuals and corporations almost exclusively—pays for less than 25 percent of its government services. The rest is paid by general tax revenues and "cross subsidies" from commercial flyers.

Stockman proposed doubling the private aviation fuel tax, which would have recitified some (not all) of this disparity. The private pilots' association roared



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speed. For the army, that translates into the M-1, or Abrams tank, which is powered by a jet-fighter engine allowing it to do 60 m.p.h., an impressive clip for a tank. If wars were fought on the interstate highway system, this Chrysler-built monster would be devastating. Unfortunately, the M-1 turbine engine doesn't adjust well to a certain battlefield condition: dust. No matter. With Reagan's blessing the Pentagon has pushed the $20 billion M-1 program out of the experimental stage.

The air force is plagued by similar speed demons. Modern fighters and bombers are so expensive, complex, and unreliable mostly because of the exotic metals, control devices, and ultra-hot engines needed to hit Mach 2 (twice the speed of sound). But the Pentagon brass and the budget people who rubber-stamp their wish list ignore the minor detail that Mach 2 is not used in combat. Mach speeds can be used on rare occasion to give chase or flee when outnumbered, but that is almost irrelevant because supersonic flight consumes fuel at such an unbelievable rate. So the pilots don't even use the feature of the modern bombers and fighters that costs the most money. Of the thousands of hours logged by U.S. warplanes over Vietnam, only a few *minutes* were at high-supersonic speed. And many of the pilots who traveled at that speed ended up as POWs, because their planes ran out of fuel and crashed.

This is the kind of thinking we'll get with the

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down the runway and quickly proved to Stockman that, in one association official's words, "our members are right in the heart of the Reagan constituency." That's a constituency whose average income is $44,000—you know, Middle America. The tax increase was promptly dropped.

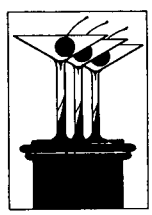
• **Never volunteer.** The Peace Corps and other ACTION programs are being scaled down (although Nancy Reagan's favorite, Foster Grandparents, is unaffected). One ACTION program has been killed outright—VISTA.

VISTA costs only $34 million a year, and represents the spirit of voluntary public service conservatives are always advancing as the alternative to mandatory programs and compulsory transfer payments. Yet it's scheduled to go. One reason, apparently, is that many VISTA volunteers organize things—credit unions, clinics, job-referral services and other suspiciously liberal-sounding programs. Another is that nowadays VISTA volunteers are not generally well-heeled white do-gooders. Many are locally recruited and come from low-income families. That explains that.

**Free market justice.** Reagan killed all funding for the Legal Services Corporation, which supplies lawyers for the poor. Congress may sustain the program in some form, but that's not yet certain. Presidential counselor Edwin Meese suggested in a recent speech that after LSC is killed law students could handle the poor's civil cases—as long as they stayed "in the areas where they feel comfortable." It wasn't clear whether Meese meant areas of the law or areas of town, but one area he wasn't talking about was the courtroom. In most states law students can give advice but not practice before the bar.

Administration officials say LSC is bad because it sometimes strays into the area of "impact legislation," filing suits that result in sweeping court decisions. If that was the Reaganites' real worry, it wouldn't have been too hard to do something about it short of eliminating the program entirely. "Class action" suits, as they are called, account for only one percent of all LSC work; the rest involve landlord-tenant disputes, divorce, and other individual civil cases.

The administration, in its fervent anti-LSC stance, comes dangerously close to saying that justice should be bought and sold on the free market like any other commodity. Stockman explained his desire to terminate LSC by saying, "The idea that almost every service someone might need in life ought to be provided by the government as a matter of basic right, is wrong." When did justice get to be a "service"?



**The blue-plate subsidy special.** Reagan has done nothing about the $1.6 billion annual "tax expenditure" subsidy allowing businessmen to deduct entertainment expenses.

But many Republicans claim the subsidy is good because of "trickle-down" economics. The service industries patronized by tax-exempt executives tend to employ busboys, waiters, dishwashers, maids, strip-teasers, and others situated at the lower end of the economic scale. Columnist James J. Kilpatrick recently wrote a ringing defense of lavish tax-exempt parties thrown around Reagan's inauguration, saying, essentially, that they provided a few days' gainful employment for the scum of the earth. He failed to add that the busboys' and dishwashers' wages were then taxed to compensate for the lost revenues from business-expense deductions.

But if it's true that luxurious noontime dining is a boon to the economy and employment, why stop at a tax deduction? Why not introduce a federal program of restaurant price supports? Washington could, say, artificially set the price of grilled bluefish with fennel at $11.75, promising to buy and stockpile any orders not sold by the day's end.

If the business-expense subsidy were canceled, the long-lunch crowd would be furious. After all, they would have to spend more time working and being productive and creating, well, jobs for people who now toil as busboys, waiters, dishwashers. —*J.A.*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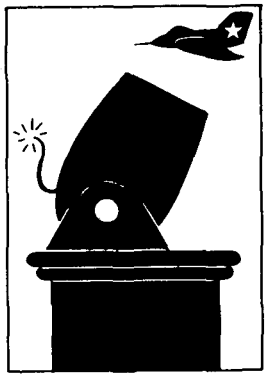
return of the B-1 bomber, which Reagan has slated for preliminary funding. The Pentagon proposes to spend about $20 billion to acquire just 100 B-1s. No more than 100 can be afforded, because the plane's titanium skin, movable wings, and super-reamed engines—all features designed to allow supersonic flight—make the B-1 so expensive. If short-range fighters operating close to their bases cannot use Mach speed because it burns too much fuel, how can intercontinental bombers flying thousands of miles over oceans? The proper move would have been to design a new, less complex subsonic bomber smaller than the B-1 and thus harder to detect and shoot down. Instead, Reagan seems willing to spend $20 billion or more for the answer to a question no one asked.



The largest single U.S. military acquisition item in the Reagan budget is the F-18 fighter bomber. The F-18 is the Veg-A-Matic of warplanes. It is supposed to replace two navy and three air force planes and perform more functions than anyone can count. Yet many military sources say it's a step backward from each. It provides less range and power than the F-15 interceptor, less maneuverability than the F-16 fighter, and less firepower than the A-10 attack bomber. Moreover, as airplanes increase in complexity, the start-up costs of production (making thousands of tools and dies and constructing assembly lines) increase dramatically. The F-15, already in production, costs about $15 million a copy; the F-16 about $10 million; the A-10 about $3.5 million. The new F-18 that Reagan wants so badly will cost—ready?—$27 to $30 million. That means that for the price of *three* effective planes, Reagan will buy *one* that does no job particularly well.

## Uncommon Carriers

The saga of the all-purpose F-18 points up an emerging defensive shortcoming the Reaganites have ignored in their haste for the now-familiar high-tech fix: the numbers problem. This year, the air force contains 7,034 airplanes for use by active and reserve forces. That is less than half of what we had in 1965 and less than a third of what we had in the low-defense budget year 1955. For fighters alone, the situation is particularly bad. In the 1950s, the U.S. built about 3,000 jet fighters a year. Next year—even with Reagan's increase—we'll get 230.

The eggs-in-one-basket approach is popular throughout the military but especially in the navy, where the administration plans three new nuclear-powered "wide deck" aircraft carriers at $2.5 billion a shot. Senator William Proxmire estimates that with aircraft wings, escorts, and manpower costs, the total price tag for this generation of "floating target" carriers will reach $30 billion. What concerns even many navy people is that aside from showing the flag off the shores of some helpless Third World nation, carriers can't do much—particularly against the Soviets. Almost every weapon a carrier contains (the F-14 "fleet defense" fighter, for instance) is designed for, well, the defense of the carrier itself.

The bigger-is-better fallacy is even more dangerous underwater. If Reagan continues to follow Carter's lead (and he shows no sign of turning back), we will replace our 41 Polaris and Poseidon submarines with ten to 12 Tridents—thus making it 75 percent easier for the Russians to locate and attack our most important strategic system.

Rather than sinking $25 to $30 billion into a dozen or fewer Washington Monument-length Tridents, why not build a large number of conventional subs that could swarm the seas in such numbers the Russians could never hope to locate all of our missiles at once? This is the concept called Shallow Underwater Mobile (SUM). Lots of small submarines carrying two to four missiles as powerful as the proposed MX, and a crew of about 15 sailors. A SUM-type submarine is already available—not from Connecticut but West Germany. Called the HDW-2000, it could be adapted to carry MX-type missiles in launching canisters. It is estimated that we could put 110 SUMs at sea, complete with 575 MX-type missiles, for the same cost as 12 Tridents (and their 288 missiles).

So why don't we settle for half as many—55 SUMs—which would carry the same missile load as the Trident and drive the Russians crazy as they tried to find five times as many submarines.

SUM would be a nice alternative to the Trident. It would also be an alternative to the "racetrack" MX, which, because of mounting opposition, even from Mormons, Reagan may yet put out of its misery.

You might think with all the opposition to MX out in the Reagan West, SUM would be a shoo-in. But never underestimate interservice rivalry at the



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Pentagon, where the air force is far more worried about the navy than the Russians (and vice versa). The air force is determined to keep its next big-ticket project away from its rival branch. Instead of moving to put a lid on such rivalries (which even high-ranking officers freely confess in private, and freely admit to be against the national interest), Reagan and Defense Secretary Caspar Weinberger recently moved to intensify them. They decided to make the Rapid Deployment Force an independent command, adding a fifth service branch to the Pentagon. It seems all four branches were squabbling over who would get the RDF glory. Instead of addressing the underlying problem, the administration took the easy way out by elevating RDF—yet another example of its desire for a simple, mindless quick-fix at the expense of really improving the country's management.

It's still a little early to tell, but so far the administration hasn't stressed better organization in other ways either. According to outgoing GAO administrator Elmer Staats, who issued a list of 15 examples of gross Pentagon waste before retiring, merely preventing each service from having its own aircraft depot could save $2.5 billion.

Aside from savings, changes of that kind might do something about the sad state of our supply and maintenance programs. Take the U.S. air force at Bitburg, West Germany—the front line of NATO's defense. A *Wall Street Journal* reporter visiting Bitburg recently found that only 60 percent of its crack F-15 interceptors were capable of getting into the air. Lack


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of spare parts—and the difficulty of installing those parts that did arrive—was the problem. (One fighter was grounded awaiting a single screw.) Reagan's budget will make these problems even worse by adding all sorts of fancy new weapons that will spend more time in the shop than on the field.

By now your head should be spinning with billions, but we haven't even looked at where the real Pentagon money goes: manpower. Almost 60 percent of the defense budget is spent on paychecks. Reagan surely won't get rid of any Pentagon civilians (although some could use it), and we all know the size of the armed forces will increase, so how can the administration save money on personnel costs?

The answer is to get rid of the all-volunteer force, which has added tens of billions to defense manpower costs since 1973. The all-volunteer force damages the fabric of society by placing the responsibility for military service on the poor—what we call the "Let Them Hillbillies Go Get Shot" Factor. [For an in-depth discussion of *The Washington Monthly*'s reasons for favoring the draft, see "Draft the Rich," April 1980.] And the all-volunteer force also damages the military—by forcing it to devote money resources to attracting new recruits, rather than keeping skilled career soldiers.

Reagan's proposals will exacerbate pay problems rather than ease them. Under his plan, the U.S. will spend $50 billion in the next five years for pay raises *across the board,* starting this month with a 5.3 percent pay raise for everybody in the military. In the same way that the administration has not targeted Social Security cuts to those who can best absorb them, it has not targeted military pay hikes to those who most deserve them—the skilled career people the military needs to keep. Instead, new recruits will get just as much of the new money. Right now, for instance, the army wants a $10,000 bonus for teenagers who go into the infantry, and the air force and navy want $15,000 bonuses for engineering students fresh out of college.

The new lures for recruits will come at a time when enlistment is *up;* the armed forces met "101 percent of their objectives" in the first six months of the fiscal year. But even when the demographics eventually force enlistment back down again, the military should not squander its money on expensive recruitment and pay and benefit incentives. If we viewed a hitch in the army as a service rather than a job—something everyone, rich or poor, had to do if drafted—then the military wouldn't have to worry about "comparability with the private sector" (an impossible goal anyway), and the government could pay recruits what it could afford. Those who have both talent and the desire to reenlist would get the bulk of the pay raises. At the same time, salaries at the top of the scale could be cut considerably. This year, 16,000 colonels and generals will receive salary increases that will give them more take-home pay than Caspar Weinberger makes. Good targeting is as important for pay as it is for weapons.

## Genuflection Projection

All of the budget numbers contained here—and all the others flying around Washington—are speculative. They are based on predicting inflation; in Reagan's case, *optimistically* predicting it. If Reagan is wrong, these figures are wrong and the whole budget mess means less than we thought.

On the domestic side, Reagan is even more optimistic than Carter last year (when he had an election and thus a need to sound upbeat). The budget is based on the assumption that interest rates will be ten percent by October, the beginning of the fiscal year. That might not seem relevant, but don't forget the fantastic amounts of money the government borrows. Every point difference in interest rates amounts to about $2.5 billion in spending.

Danger signs on the defense side aren't as clear. But they're flashing. Before being shackled to the official Reagan assumptions by the passage of the May budget resolution, the Congressional Budget Office estimated that defense increases through 1986 will cost $136 billion more than the $1.5 trillion increase Reagan already wants. Part of the likely defense inflation will stem from the legendary cost overruns that plague nearly all hi-tech weapons. But part will stem from pure supply-side economics. Reagan is increasing demand for defense items much faster than productive capacity can increase, and when demand runs ahead of supply, the result is always inflation. "Too much money chasing too few goods," as you may have heard a Republican or two say. Or, as in the budget "revolution" as a whole—too much Reagan chasing too few ideas. □



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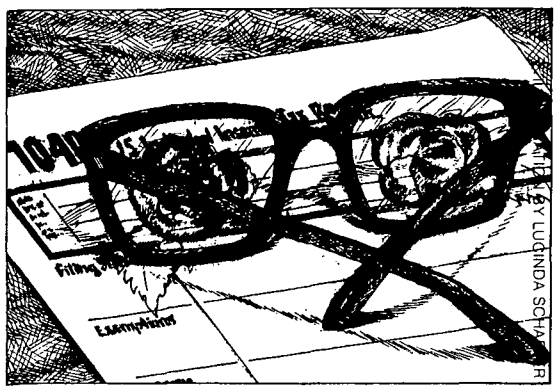
# REAGAN'S TAX-CUT "REVOLUTION"

## Money Will Run to the Same Old Shelters

**by Thomas N. Bethell**




The story goes that in 1973, when he was governor of California, Ronald Reagan admonished reporters to stop asking him for an explanation of a proposed tax-limiting constitutional amendment. Taxpayers shouldn't spend time trying to understand his plan, Reagan said, because he didn't really understand it himself.

Well, you just had to like the guy for that. At least many reporters thought so. They were beguiled by his apparent candor, his self-deprecating humor—and most of all by his carefully cultivated camaraderie with journalists predisposed to sympathize with him because they didn't like explaining complex economic issues either. A trip through the old clips yields yards of copy about the vigor with which Reagan campaigned for his amendment, but not many articles explaining what it might have done to California's economy.

Today that question is moot, because the voters of the state turned Reagan's proposal down. But having been denied the opportunity to experiment on a single state, Reagan now has a chance to tinker with the entire nation—if Congress cooperates by adopting the kind of tax bill he wants.

*Thomas N. Bethell is a contributing editor of* The Washington Monthly.

Much has changed, perhaps, since 1973. But key elements of the fiscal drama are familiar. The president still doesn't seem to understand exactly what he's proposing, and reporters are still beguiled by him.

True enough, questions have been raised about voodoo economics. But most of the daily reporting on the developing tax legislation has concentrated less on the substance of the president's proposals than on the struggle between his forces and the tatterdemalion Democrats on Capitol Hill. We learn about Dan Rostenkowski's ponderous defensive maneuvers in the face of heavier armor and superior artillery. We learn of Southerners defecting from the ranks by night while aging Sergeant O'Neill rides back and forth among them, firing warning shots from a pistol loaded with blanks. We hear regularly from Bob Dole and Howard Baker, offering helpful commentary whenever they liberate another parliamentary hamlet for the Gipper. This is history repeating itself, California-style; yards and yards of copy, but most of it tells us nothing more than that a reporter was present when someone spoke.

Meanwhile, off to one side, the sages of Wall Street have been sending out intriguing signals that they feel pretty skittish about the possible effects of Reagan's plan. Might not do a thing for the economy, the sages mutter. Might make the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federal deficit bigger, not smaller. Might force the Federal Reserve to clamp down on money again. Might send interest rates out of sight again, straining credit to the breaking point and setting off another explosion of inflation. And beyond that, nobody seems to know. The abyss, maybe. The sages are in a very awkward spot. They helped put this man in the White House. Now they feel queasy about having him there.

How does the president respond? He is not to be flapped. "I have never found Wall Street a source of good economic advice," he tells a group of visitors. And no doubt he's right. But then, casting about for concrete evidence that his tax cuts really will work, Reagan comes up with Calvin Coolidge.

There were four tax cuts during the Coolidge administration, Reagan declaims, and after each of them, government revenues increased. He warms to the subject. It was during the Coolidge years, he says, that "we probably had the greatest growth and prosperity we've ever known."

Coolidge. Let *Coolidge* calm the fainthearts out there. Never mind that Coolidge's tax cuts were designed to benefit only the wealthiest taxpayers and corporations, offering no relief at all to ordinary working people and farmers, even though they were desperately in need of help. Throughout the Coolidge administration, farm prices were chronically depressed, forcing millions of farm families off the land and into the homes of their nearest kin, who fed them but couldn't deduct them. Jobless farmers and immigrants kept unemployment at around 13 percent, depressing wages. But they still had to pay taxes. Never mind that Coolidge's tax cuts triggered a wild spree of speculative stock trading backed up by overextended, undersecured credit. Shouldn't that familiar pattern bother Reagan today? Coolidge's final State of the Union address in December 1928 contained the observation that the economy could be characterized by "tranquility and contentment . . . and the highest records of years of prosperity."

This was the prosperity that Reagan remembers. Of course there is the mildly inconvenient fact that the scaffolding of December 1928 was still in place when the entire structure of the American economy collapsed a few short months later. *Coolidge?* Surely anyone who cites Coolidge today as an authority on tax policy ought to qualify for fresh scrutiny.

# Gimme Shelter

Funny thing. For all the talk in Washington about funneling tax rebates into "productive" uses, nobody has offered a tax bill that would give rich folks a bigger tax break for "productive" investments than for "nonproductive" ones. So, from this standpoint at least, it makes no difference whether Congress finally adopts a bill proposed by Ronald Reagan, Dan Rostenkowski, or Ronald McDonald. The message is simple: if you are rich folk, it will still behoove you to shelter money in ways that can't possibly do the economy any good—because these scams lend themselves to more creative manipulation of the tax code than productive investments do.

Of course you don't have to be wealthy to get a tax break. Unlike the Hapsburgs or the Bourbons, the American rich know how to throw the middle class a crumb in the form of a host of tax benefits for home ownership amounting to $40 billion a year, of which the main one is the deduction for mortgage interest payments. This is the way our aristocrats make sure there isn't a revolt of the masses against the idea of shelters in general. By bringing the middle class into the tax-break game, the rich can go about the business of sheltering their millions without worrying about a challenge to their intentions. The more complex shelters the rich favor work like this: You buy a truckload of oriental rugs. You don't have to put them on your floors; you never even have to lay eyes on them. Your tax lawyer provides you with a file of appraisals verifying that the truckload is worth $500,000 on the market. The rugs may not actually be worth a tenth of that. Doesn't matter, as long as you have the appraisals.

You pay $50,000 from your own funds to acquire the rugs. But wait—the purchase price is $500,000. Don't you have to borrow $450,000?

Yes, for tax purposes. No, in real life. The way the "loan" is set up, it appears on paper as a conventional transaction—and you can deduct the interest as well as the actual cost of the loan. For tax purposes, you can write off the entire "cost" of the transaction. But the loan will be repaid, if at all, from a percentage of the sale price of the rugs, and only after you've recovered your actual cash payment. A competent tax lawyer, backed up by an accountant, can write you a long-term rug investment program that will show you losing money at every turn of the calendar. If the rugs somehow just don't sell at anything like what you "paid," the loan can be forgiven. And, in the off chance that you make money on the deal, the profits can be spread out across many years and taxed as capital gains, which means that only 40 percent of your profit will be subject to taxation at all (as opposed to 100 percent if the profit is treated as ordinary



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## Tax for Nothing

The president says he wants a three-year, 30 percent across-the-board tax cut. He says the tax cut will be good for the economy because people will spend less time and energy trying to shelter their money from the Internal Revenue Service and will invest it instead, thereby giving business a much-needed shot of new capital with which to improve productivity. He throws in a little badinage about people working harder, too, the theory being that when the government isn't standing next to you with an expectant look on its face, you'll be able to concentrate better on staying at your desk and tackling Toyota or whomever. For good measure, the president's tax proposal includes an accelerated depreciation plan, which will permit businessmen to declare their buildings and equipment worthless faster than they can now. The stuff will get old at the same speed, of course, but the owners will be able to take larger tax deductions today and tomorrow rather than spreading the deductions more evenly over the actual life of their property. This will make today's corporate leaders happy; years from now, when all that gear is still standing around, fully depreciated and useless for tax purposes, some other president can deal with whatever form of special treatment industry decides to demand.

The first thing to keep in mind about the president's program is that he is the beneficiary of journalistic shorthand. Reporters have neither the time (particularly on television) nor, in most cases, the skill to explain over and over that the president is not *really* proposing an "across-the-board" 30 percent tax *cut*—although he uses those words—but a reduction in the tax *rates*, specifically in the marginal tax rate, which means the top rate at which the highest level of your income is taxed. The distinction makes all the difference in the world, but it gets lost in the daily deadline shuffle. On Sunday, June 7, for example, CBS had White House aide James Baker on its half-hour "Face the Nation" program, subjecting him to questioning from a typical panel of typical journalistic experts. They never asked a single question about how the tax cuts would actually affect different income groups.

Most consumers of news know nothing about marginal tax rates. They've never seen one. When tax time comes around, they either fill out

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income).

Tax shelters take many forms, but most of them share the three characteristics exhibited in this one. First, you maximize your immediate deductions while deferring, as long as possible, any obligation you may have to the IRS. Second, you use leverage as much as possible, borrowing most of the purchase price, deducting both your cash investment and the cost (even if it's just paper cost) of borrowing. Third, you convert any profit from "ordinary income" to "capital gains," thereby getting yourself a much reduced tax rate.

Since 95 percent of the taxpayers in the United States never get to see this game, it may come as no surprise that few people understand the rules. This is, of course, the way the big-time players want it. Closing off every possible shelter would require an effort at least as great as controlling organized crime, which the practice, in its effect on the economy, greatly resembles. But an administration really dedicated to making everybody's money work harder for the greater good could still take a whole range of steps that would probably win broad support.

The first step—and probably the toughest—would be to define what we think is productive and what's not. It's not really enough to say that investing in anything new is good, while investing in anything that already exists is bad. We need to encourage people to rehabilitate existing factories and housing, too. But the new-old, productive-nonproductive distinction could at least serve as a general guiding principle intended explicitly to discourage investments in such clearly nonproductive assets as art, antiques, carpets, and, most of all, real estate. Investment in productive assets could continue to receive the existing, highly favorable capital-gains rate—in which the first 60 percent of profit is tax-exempt. But investment in nonproductive assets could be taxed as ordinary income (meaning that every penny of profit would be taxable) and the sheltering provided by paper losses could be minimized by limiting tax exemptions to the actual amount of cash invested, thereby excluding the rigged depreciation tables and the inflated loans.

The advantages of taking this step are obvious. The main one, of course, is that it allows high-rollers a choice. They can go on buying truckloads of rugs or portfolios of existing stock if they really want to. But they will benefit more by buying into the economy instead, through investment in new stock issues for new plants. And the Treasury would also benefit. Tax experts vary widely in their estimates of how much capital could be redirected annually under such a split-benefit arrangement, but it would appear to be in the neighborhood of $6 billion. Since that's more than ten percent of next year's anticipated deficit, it's a step that's obviously worth pursuing, whichever side you're on.


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the short form or look up their liability in the tax tables. They don't want to be lectured about something so obscure. Reporters and editors who insist on wading into the fine print run a certain risk that the channel will be switched or the paper thrown out. So there's an unfortunate predisposition to crank out another piece about Tip O'Neill instead—a piece in which passing mention will be made, inevitably, of "the president's proposed 30 percent across-the-board tax cut."

The second thing to keep in mind about the president's program is that when you *do* look at the proposed reductions in marginal rates, you see that about 85 percent of the anticipated cuts will go to people with incomes above $50,000. Breadwinners in the humdrum $20,000 range, by contrast, will get to keep an extra few hundred dollars, at most, and even that could disappear if they fall victim to "bracket creep." This is the dread disease that afflicts taxpayers in periods of high inflation: they struggle to win a wage increase large enough to offset the impact of inflated prices, only to find themselves in a higher tax bracket. Perhaps the folks in the $50,000-and-up group deserve a tax windfall, but they represent only about five percent of the total taxpaying population. For the rest, Reagan offers little, or nothing, or a net loss—depending on how much inflation we experience.

It's at this point that the debate—such as it is—on the tax plan tends to bog down in conventional ideological ruts. Liberals talk about writing a tax cut aimed more at the middle class. Conservatives look to people like George Gilder to marshal arguments for giving disproportionate tax breaks to the rich. Both sides seem to have missed the point.

Liberals forget that few middle-class Americans have been demanding a tax cut. In every major poll taken before last November's election, Americans did *not* give high priority to reducing their personal tax burdens. They worried more about how their taxes were being *used.* Ronald Reagan promised them a smaller, more efficient government, and they liked the idea. They still do, although there is some understandable confusion over how efficient and lithe the government will be after defense spending increases in two years from less than a fourth to nearly a third of the total budget.

Conservatives, for their part, are lining up like lemmings behind Gilder's ringing proclamation ("Promethean in its intellectual power and insight," according to David Stockman) that "the future is unknown and menacing, but with faith you are not afraid to take the risks that capitalism depends on."

Andrew Mellon used to say the same sort of thing back in the days when he was designing tax cuts for Calvin Coolidge, and if the sages of Wall Street have learned anything from that experience, it is that faith alone may not be enough to sustain a trembling economy. The sages feel that they cannot afford to operate on the same kind of faith embraced by George Gilder. They tend to put their faith in numbers, and they can't see how Reagan's numbers are going to add up right.

The president and his economic advisers have projected that his economic program will add three percent to the national growth rate by 1984. About two-thirds of this is supposed to come from the rich folks, who are supposed to take their gotten gains out of tax shelters and put them into investment and savings, thus helping to create factories and jobs and other good things. Based on past experience, however, there is no evidence that the rich folks will do what the government says they will do. If past experience is any guide, the rich will keep most of their money right where it is—in tax shelters. The only difference is that under Reagan's plan, they'll have *more* money to deep-freeze. Nothing is done to change the basic nature of the tax codes, which discourage productive investment and encourage speculative real-estate deals. So why should the behavior of the rich suddenly change? Why won't they keep on doing what they do so well, namely stuffing their money (additional tax-cut money included) into the great national mattress of tax shelters? In fact Reagan's plan may drain the economy of capital by the very act of subtracting more from general commerce and giving it to the rich to squirrel away.

If that happens, all the fine things the government wants to see happen won't. The government won't take in as much money as it expects, and the projected deficit will grow instead of shrinking. Even a slight souring of the numbers will spoil the meal: economists at the Brookings Institution calculate that if real growth is just one percent less than predicted, and inflation is just one percent higher, the deficit will increase by around $14 billion.

This is the kind of thing that Wall Street worries about. It knows that the deficit for fiscal year 1982 is already projected at $50 billion-plus, about the same that Jimmy Carter was anticipating. It knows that a vast military expansion program is inherently inflationary and that when the costs of that program are combined with a



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tax cut, they will more than offset whatever Congress finally does by way of reducing spending for social programs.

Wall Street also anticipates that high unemployment will continue and assumes that some governmental entity will have to pay for that, even if the federal government chooses not to. With no hope of balancing a budget, the Reagan administration will wind up on the same path Jimmy Carter followed: trying to use monetary policy to hold inflation down. That path led Carter in circles and promises to do the same for Reagan. The circle begins with yet another round of feckless efforts by the Federal Reserve to control the money supply, which drives up the cost of credit, which spurs inflation, which propels our entire wheezing economic apparatus just that much closer to a replay of the events immediately following Coolidge's last State of the Union address. Wall Street has seen this movie before.

There might have been a way out, but the Reagan administration deliberately chose not to take it. The administration could have exploited its early popularity and mobilized the support of liberals and conservatives alike by going after tax shelters and other loopholes that caused our economic woes in the first place.

It was a rare opportunity. The president could have reassured the middle class in general by demonstrating that even a disproportionate tax cut could be arranged for the general benefit of the entire society. He could have reassured conservatives—rich ones especially—by allowing them to keep their preferential tax treatment, but redefining it to reward only socially useful investments. He could have reassured Wall Street by demonstrating that the government had the skill and determination to drive sheltered money into the economy in efficient and genuinely productive ways. But he did none of these things—perhaps because he genuinely didn't understand how to go about it, perhaps because of bad advice, perhaps because he though it would contradict his personal philosophy of government, perhaps because he had no philosophy of government at all. Supply-side theologist Gilder admits—but only off the record—that tax shelters could be creatively restructured. But he simply takes it on "faith" that Republicans would die before giving up the status quo. So much for the ennobling prose; if this assumption was prevalent among Reagan's inspirers, that may be all the explanation we need. Whatever the reason, the president lost the opportunity to act while he had the maximum support of the public. And that means he has probably lost it, period, because tax shelters are too deeply embedded in our economic bedrock to be blasted loose by anything less than a very heavy charge of political explosives.

## Calvin Clone

When Barbara Walters negotiated her million-dollar contract with ABC a few years back, she got together with her tax lawyers to calculate her liability.

"How much will I have to pay?" she is reported to have asked.

"How much do you *want* to pay?" they are reported to have responded. "You tell us—we'll work it out."

If you're wealthy enough, you can hire people who talk like that. For a suitable price, they will massage the tax code in such a way that Uncle Sam supports you, rather than the other way around. The process can be extraordinarily complex, but the objective is simple: to shelter as much of your taxable income as possible, mainly by investing your surplus funds in enterprises that will generate paper losses in the current tax year. A skillful tax lawyer can roll your money from one shelter to another, assuring that you


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never make a profit—on paper. The number and variety of shelters are almost beyond counting, a fact that works to the obvious advantage of the practitioners. Ethical corners are cut routinely—by "forgetting" about an old "loan" used to underwrite the "cost" of investing in something with a remarkably high price (moth-eaten oriental rugs or coal leases sold by the square foot)—but shelter-builders generally have no difficulty staying ahead of the sheriff. The IRS currently has more than 200,000 cases pending against various tax dodges, but some of those cases are 20 years old and moving slowly or not at all. IRS sources estimate that for every headline-grabbing settlement, there are a hundred shelter abuses that haven't been detected yet.

This doesn't necessarily mean they're beyond reform, however. Every current tax shelter—farms, fine art, gold mines, oil depletion allowances, real estate, whatever—is the direct result of congressional legislation. What has been done by Congress can be undone by Congress.

How much money goes to tax benefits? Nobody knows exactly, but including everything the total is about $266 billion a year. This figure is arrived at not by going through any kind of computer exercise but by reading the 1982 budget of the United States government. As required by the 1974 Congressional Budget Act, the annual budget now contains a rundown of so-called "tax expenditures"—which the Act defines as "revenue losses attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or deduction from gross income, or which provide a special credit, a preferential rate of tax, or deferral of tax liability." That's as good a definition of "loophole" as you'll find. All of these provisions may have been written with some distinct social or economic goal in mind, but when money is sheltered in them the only goal is to enrich a specific taxpayer and the lawyer who leads him through the tax code. Whether this enrages you is probably beside the point. Congress should certainly be interested in a pool of $266 billion sitting just beyond reach at a time when the anticipated deficit approaches exactly the same figure.

That having been said, however, it does not necessarily follow that what has been given to the fortunate few can be taken away from them again. True, Congress can rescind its past actions. But, as has been obvious this year, it's easy to take $36 billion from the poor, not so easy to take it from the rich. For Congress to close $36 billion in loopholes would require something on the far side of a miracle. But that doesn't mean Congress couldn't rethink and rearticulate the *objectives* for which tax "expenditures" were created in the first place. Suppose Congress permitted Barbara Walters to keep on sheltering her money from tax liability as long as she invested it in risky entrepreneurial ventures. Suppose it permitted her to write off any funds she committed to companies rehabilitating housing in the South Bronx, or elsewhere where it could be demonstrated that the real estate market really needed venture capital, would use local labor, and would conform to generally defined economic goals. Suppose this kind of investment gave her a lower tax liability than hoarding pre-Columbian ceremonial daggers. Would she do it? What do *you* think?

The obvious appeal of this idea is that it cuts straight across liberal and conservative prejudices toward a practical goal: getting the rich to put their money where it will do the rest of us some good. It should appeal to conservatives, because it constitutes tacit acceptance of the idea that we will always have the rich with us, and that we aren't going to sit around plotting to take their money away from them. And the idea should appeal to liberals, at least to the extent that it holds out the hope of making the rich do something useful with their loot.

Why, then, does the idea hold no appeal for the Reagan administration? The answer seems to come under the category of "Haberdashery, Emperor's New." Apparently this self-styled hard-charging administration is unwilling to take on the really tough job of walking a tax-shelter reform bill through Congress. By throwing its weight behind a long-term tax gift for the rich instead, the administration really *has* chosen to walk in the footsteps of Calvin Coolidge, even though this subsidizes the wealthy at the expense of everyone else and puts the entire economy at great risk.

Of course, spokesmen for the administration reject this characterization. "Tax expenditures are not subsidies," says David Stockman. "They are accommodations to reality." Coming from a man who wasn't willing to accommodate the reality of several dozen federal programs built up over a 15-year period, that remark has a notably wimpy ring. It sounds, in fact, like an underling accommodating a chief executive who didn't really understand the gist of his own proposal, and didn't want to learn—from his advisers, or from history. □



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## YOU WOULDN'T LIKE TO PADDLE EITHER IF YOU DIDN'T HAVE BOTH OARS IN THE WATER . . .

James Watt, secretary of the interior, recently expounded on his love of nature during a speech before the Conference of National Park Concessioners. Describing a rafting trip through the Grand Canyon Watt said, "I went down the Colorado River in September. . . . The first day was spectacular . . . the second day started to get a little tedious, but the third day I wanted bigger motors to move that raft out. There is no way you could get me on an oar-powered raft on that river, I'll guarantee you that. On the fourth day we were praying for helicopters." Watt explained, "I don't like to paddle and I don't like to walk."

## The announcement was taken to the school commissioner, who pressed his signet ring into the hot wax . . .

The Philadelphia school board, facing a $223 million deficit, recently announced it would not pay its teachers for most of June. And if that didn't cure financial problems, the board added, its members would give up their six limousines and drivers.

## GOOD THING THEY DIDN'T ASK HIM WHAT HE THOUGHT OF THE GRAND CANYON

At his confirmation hearings, Interior Secretary James Watt was asked by Senator Bennett Johnston of Louisiana, "Will you continue to help us fight for the Land and Water Conservation Fund?"

Watt replied that the fund, which is used to acquire land for national parks, "is a soft spot in my heart . . . you can be sure I will do what I can to carry out that program."

Almost immediately after his confirmation, Watt recommended to budget director David Stockman that the fund be eliminated.

# Tidbits & Outrages

## THE CHOPPER'S ARMAMENT WILL INCLUDE TEN ROCKETS, SIX BOMBS AND FOUR VOLUMES OF THE PROPOSAL

Recently *Armed Forces Journal* reported on the lean, streamlined way of doing business at the Pentagon:

"Two contractors have submitted 2.8 tons of paper proposals for a small Army targeting helicopter that will weigh only 1.5 tons at takeoff.

"The two bids were delivered to the Army on April 9th. One proposal entailed 70 volumes, most of them submitted in multiple copies, and totaled close to 650,000 pages and 3,500 pounds of paper. Any one complete copy of that proposal would be about nine times as long as the Holy Bible. If all of that proposal's pages were laid side by side, an Army evaluator would have to walk a 328-mile round trip to read it."

## MEET YOU AT THE MILITANT MIXER

The Progressive Alliance, an organization of leftish activists, held a "seminar and dance" one recent Friday night in Washington. Marcus Raskin and other speakers duscussed "the potential of a strong progressive coalition." Afterwards there was a dance "to recorded music of the 1960s."

The event was sponsored by the Progressive Singles and All Souls Social Concerns Committee.

### Swift, Sure Justice

Last month Larry Ratliff, part owner of Vanhoose Coal Co., was sentenced to 60 days in jail because of a mining accident that killed Billy Bruce Dougherty, a Vanhoose employee.

Ratliff had pleaded guilty to a violation of the Mine Safety and Health Act. Working the mine one day as acting foreman, he had ordered Dougherty to set up roof timbers in an area too far from the nearest supports. The roof collapsed, killing Dougherty and injuring another miner.

Ratliff is the first coal company executive ever sentenced to hard time under the Mine Safety and Health Act. The act was passed in 1969.


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# RETROSPECTIVE 1989

## How the Democrats Came Back

**by Art Levine**

WASHINGTON, January 20, 1989—Today, as Tom Hayden is sworn in as the 41st president of the United States, conservative Republicans are still wondering what went wrong. Their collapse was just as surprising as their meteoric rise.

Only nine years ago, Ronald Reagan's landslide victory seemed to usher in a new era of conservative dominance. But by the time voters trooped to the polls in November 1988, they gave a resounding victory to Hayden, the California senator, and his co-candidate, Eleanor Smeal. (The term "running mate" had been dropped because of its sexist implications.)

These days American conservative leaders spend their time thumbing through the collector's editions of George Gilder's *Wealth and Poverty*. Gilder himself, once the toast of the capital, disappeared from sight after the unemployment rate hit 23 percent in 1985. Last year *Newsweek* reported in its "Where Are They Now?" column that Gilder was living in a low-income housing project in Albany, New York, and working part-time as an organizer for a welfare-rights group.

Gilder's fate symbolized the stunning demise of the conservative coalition forged in 1980. A year later, when House Speaker Tip O'Neill curtsied to Reagan to close the landmark 1981 session of Congress, the conservative momentum seemed unstoppable.

Or so it seemed. At first, the nation enthusiastically backed Project Avenger—a $62 billion nuclear submarine. When finished, the *Avenger*—40 stories high, 1,500 feet across, and powered by the entire Seabrook nuclear generating plant—was to travel underwater at the speed of sound and do back flips if attacked. But somehow the two-sub fleet never quite made it into the water.

Perhaps the greatest antimilitary backlash came in 1987 after an accident involving the MX missile. One careless missile-launcher driver roared around an MX racetrack despite the fact that the yellow caution flag had been raised, spun out, hit the wall, and took most of southern Utah with him. General Charles Beckwith, chairman of the Joint Chiefs of Staff, explained that "we had to destroy it in order to protect it."

Meanwhile Reagan's tax-cut measures did not perform as planned. Most wealthy individuals, instead of investing their cuts in new steel mills and other productivity improvements, simply raced to sink their money into Italian sports cars and thus dodge further taxation. Mergers

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became so frequent the Fortune 500 shrank to the Fortune Big Ten.

Many slashed domestic programs were turned into annual holidays. Food Stamp Day was especially popular. A few programs for the poor were absorbed into block grants for the states. Most states, though, used the money for other purposes, such as building revenue-producing amusement parks.

***Jesse Helms was at the top of EMPAC's "Touch List." A series of slick TV commercials drove home his vulnerability on the empathy issue.***

One reason for Reagan's initial success was his decision to eliminate the programs *while keeping the civil servants who administered them.* This political stroke of genius allowed Reagan to phase out food stamps, Medicaid, and so on but not harm those truly in need—government employees. Government employee unions applauded what they called Reagan's "tough-minded but fair" approach.

Scrapping of programs was facilitated by a 1982 law defining the "truly needy." "The truly needy," Budget Director David Stockman said, "include only those persons having congenital handicaps that prevent them from doing any gainful work. All quadraplegics with Down's syndrome have nothing to fear from our proposals."

Eligibility requirements for government assistance were drastically tightened and restrictions were added. Recipients had to be proficient in three languages and able to recite from memory the first ten pages of *Swann's Way* by Marcel Proust.

Other presidential initiatives were equally bold. Reagan's penchant for nominating controversial figures continued with his choice of Dr. Josef Mengele, a prominent Argentinian dentist, as assistant secretary of health and human services. Mengele's experience in profitable, low-cost dental care (he is credited with creating a boom market in gold fillings during the 1940s) qualified him perfectly to be another entrepreneur-turned-bureaucrat. His background as a tough administrator who brooked no dissent from selfish minority groups also enhanced his reputation in Reagan's eyes. But Mengele's nomination created a fire storm on Capitol Hill because of his brief association with a controversial political party.

Reagan's interior secretary, James Watt, also stirred controversy. Watt extended the concept of leasing federal lands to include leasing of his department's key agencies. The Bureau of Land Management was turned over to Exxon (after a hot bidding war with Mobil). The Fish and Wildlife Service was leased to Marriott, which promptly renamed it Fins 'n' Fangs, and the Office of Surface Mining became a subsidiary of Consolidation Coal. Visitors to national parks were greeted by the "No Surprises" motto at entrance gates. Holiday Inn, Inc., the parks' new owner, rearranged scenic vistas to make them all identical.

But trouble was brewing on the social welfare front. When one interviewer accused Stockman of lacking "empathy," he snapped back, "Having a heart is not a basic entitlement. No one has a right to a heart. That is wrong. We reject that." Stockman was eventually forced to resign after his brothers revealed that the budget director's own mother had been living on cat food since the 1983 budget cuts.

Reagan himself was baffled by the growing criticism of his domestic program. "I wouldn't hesitate to lend a helping hand to anyone I meet in my day-to-day activities," he said, munching pate de foie gras at Maison Blanche. But counsellor Edwin Meese told him bluntly, "You have to take the offensive on this empathy thing or it's going to kill us." So Reagan agreed to join Jerry Lewis as co-host of a March of Dimes telethon.

The president gave one of the most touching performances of his long career, talking with the crippled poster child and reminiscing about how private charity took care of everything when he was a boy in Illinois. When he finished the weekend stint by giving a dramatic reading of Barbra Streisand's "People," there wasn't a dry eye in America. Even now it's hard to forget the image of our commander-in-chief, sportcoat flung over his shoulder, saying in a voice strained with fatigue and sincerity, "People . . . people who need people . . . are the luckiest people in the world. . . . "

Still, a small band of doctrinaire liberals, in virtual hiding since 1980, began to press their advantage. Liberal ideas were aired in a small but influential new publication, *Feelings,* first sponsored by a youth group called YAF (Young Americans for Feelings). A vital liberal victory was achieved in the widely publicized conversion of William F. Buckley. While sailing his yacht


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outside the three-mile territorial limit in order to smoke marijuana, Buckley became disoriented and fell overboard. Given up for dead by his well-heeled friends, he was rescued by a raft of Haitian boat people. At shore he was dragged away by Immigration and Naturalization Service officials, who refused to let him call his broker. "If a conservative is a liberal who's been mugged," Buckley said as he accepted the publisher's job at *Feelings,* "a liberal is a conservative who's cried for help and been ignored. It's time we dedicated ourselves to helping others."

***Riding President Tom Hayden's coattails to power were Senators Amory Lovins (D-Mass.), Bill Cosby (D-Pa.), Colman McCarthy (D-Md.), and Leonard Weinglass (D-Ill.).***

Seizing the initiative, liberals had slowly begun to employ exactly the same tactics conservatives used against them. It started in Washington in 1982 with the little-noticed formation of the Empathy Political Action Committee (EMPAC). Using mailing lists of defunct liberal publications like *The Nation* and *The Progressive,* the group raised a campaign chest of several million dollars. EMPAC relied on direct-mail solicitations emphasizing commonsense talk ("Do you think little babies should be *allowed to die* because they have no food to eat?"). Fund-raising letters were signed by celebrities like Alan Alda, Marlo Thomas, and the polyester-clad William Sloane Coffin, who preached fiery liberal sermons on his popular cable television program "The Old-time Compassion Hour."

Senator Jesse Helms was at the top of EMPAC's "Touch List." A series of slick, hard-hitting TV commercials, starting a year before the primary, were used to drive home his vulnerability on the empathy issue.

One anti-Helms spot opened with black-and-white footage of a tiny body being wheeled into a morgue. The voice-over said, "That was Rufus Jones, age two. He could have been president of the United States. Or a doctor. Or a teacher. But now he's dead. His mother couldn't afford to feed him, because there's no more infant nutrition program. When he got sick she couldn't afford a doctor, because she wasn't eligible for government help."

The next shot showed Helms laughing at a banquet in his honor. The voice-over continued, "There's nothing funny about dead babies. But he voted against every program that might have helped Rufus Jones live. Jesse Helms doesn't care. We hope you do." The last frame was simple block lettering: DEFEAT JESSE HELMS, THE BABY-KILLER.

Helms labeled the ads a vicious distortion. "The senator has never advocated killing babies," Helms's press secretary said. "Check his record." But resentment against Helms grew, and by fall his opponent, Father Theodore Hesburgh, won easily, although disavowing any connection with the EMPAC ads.

Republicans started running scared. Representative Jack Kemp explained that the controversial tax-cutting amendment he introduced "many years ago" had been simply thrown into the hopper as a favor to an old friend, Philip Roth of New York. To prove his point, he sponsored an updated Kemp-Roth tax package raising taxes ten percent a year until, as Kemp said, "nobody goes to bed hungry at night."

Meanwhile, in Southern California, a number of prominent Republicans became disciples of a new spin-off of the human potential movement, Levine Empathy Training (LET). Led by Werner Levine, a charismatic former real estate speculator, thousands of LET "graduates" were transformed into compassionate, caring individuals after just two weeks in a hotel ballroom.

Levine's ground rules were tough: no furs, diamonds, watches, credit cards, or bond coupons were allowed in the hotel. During training LET students were not allowed to eat in French restaurants, hear the Dow Jones average, or have a secretary place their calls. Some cracked under the strain.

During a typical session, Levine would stalk up and down the aisles, insulting and haranguing his students at the top of his lungs. "Bunch of selfish bastards!" he would shout. "All you care about are yourselves and your mutual funds!" Levine also used encounter sessions and sheer deprivation to achieve results. In one grueling exercise, one person played a child eating lead paint, while another took the part of an OMB official. An hour later they switched roles.

By 1986 LET and a growing national mood spawned California's Proposition 34, which required that three-quarters of all property tax revenues be given to families with incomes less than $10,000. As one Orange County housewife put it, "We're compassionate as hell, and we're


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**Malcolm M. Feeley** and **Austin D. Sarat**

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not going to take it anymore. Instead we're going to give it to others."

Senator Tom Hayden (D-Cal.), elected in 1982, led the charge out of the West. His widely acclaimed book, *None Dare Call It Cruelty,* became a huge best seller, joining Robert Ringer's *Looking Out for Everyone Else* and Sylvia Porter's *How to Give Your Money Away.*

The new mood was very intolerant of the faint at heart. Senator Edward Kennedy (D-Mass.) was roundly castigated by "Neo-New Left" Democratic leaders as a "cheapskate" for failing to endorse Hayden's $100 billion omnibus "Anti-misery Act," which included everything from a guaranteed annual income to vacation insurance for those too poor to afford their own holidays. "Why can't we just have free national health insurance?" Kennedy pleaded one day, to a chorus of boos. "I think trying to solve every human problem in one fiscal year is simply too expensive," he insisted.

As the Hayden juggernaut steamed toward the nomination in the summer of 1988, party moderates suffered other serious blows. Hayden's major primary opponent, Senator Gary Hart, declared at one point during a televised debate in Nashua, New Hampshire, that "you can't just throw money at social problems." Hayden turned to the studio audience and asked dramatically, "Why not?" Thunderous applause ensued, and the nomination—if not the election—was assured.

In retrospect, of course, Hayden's victory over Connecticut Governor Jude Wanniski was inevitable. The numerous forces building for liberal power—and the grass-roots movement reflecting basic American values—was bound to transform the political process. Riding Hayden's coattails to power in 1988 was a new liberal senate majority. Senators Amory Lovins (D-Cal.), Bill Cosby (D-Pa.), Colman McCarthy (D-Md.), Arlo Guthrie (D-La.), and the president's old friend Leonard Weinglass (D-Ill.) give Hayden powerful support on the Hill.

But with the mantle of power comes a new sense of responsibility, and an understanding of getting things done in the time-honored Washington way. So in the White House and Cabinet, Hayden will draw on such experienced Washington hands as Theodore Sorensen, Clark Clifford, and Patricia Harris to provide the kind of "best and brightest" brainpower needed to implement the liberal agenda of the nineties. "If you see a Cy Vance or a Joe Califano in this administration, you'll know we're making it," Hayden told reporters after his election. ☐



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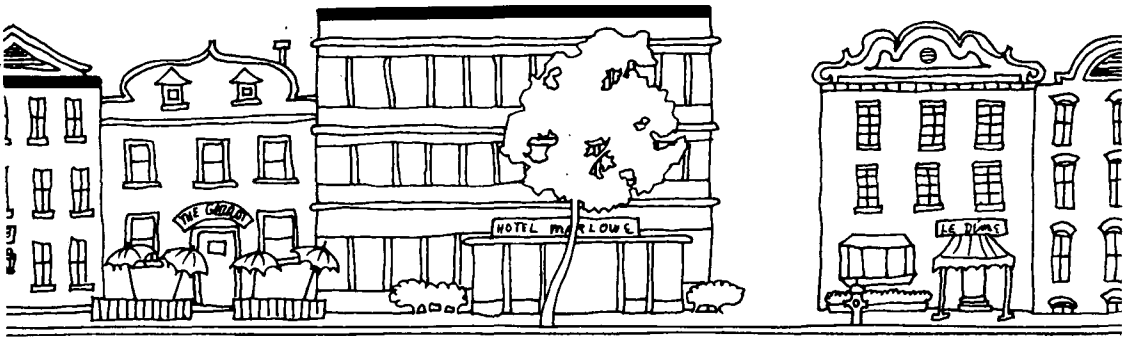


# Where to Stay in Washington

## *Georgetown*

*Georgetown, the old colonial section of Washington, is just a five-minute commute across Rock Creek Parkway from downtown and within walking distance to the Kennedy Center, Foggy Bottom, and the scenic C&O canal. Wisconsin Avenue and M Street are lined with boutiques and restaurants, and it's a voyeur's (or exhibitionist's) paradise on Friday and Saturday evenings.*

**The Georgetown Inn,** 1310 Wisconsin Avenue, N.W., (202) 333-8900. Right on Wisconsin Avenue, this is a very pleasant place to stay. The rooms are attractively decorated in colonial and contemporary decor, and most have queen-sized beds. The suites have unusually large bathrooms with bidets, complimentary terrycloth robes, telephones, and heat lamps. All rooms have a writing desk and some have sofa beds and sitting areas. Singles, $88-$111; doubles, $108-$125; suites (no kitchens but they do have wet bars), $180-$200. The weekend package includes a two-night stay, complimentary wine and cheese, continental breakfast, and a discount on Sunday brunch, for $79.95 per person, double occupancy. Parking is $5 a night; children under 16 are free. The elegant but very expensive **Rive Gauche** is right in the hotel, serves three meals, and provides full room service. Concierge service is available.

**The Holiday Inn,** 2101 Wisconsin Avenue, N.W., (202) 338-4600. Although this hotel is typical of any other Holiday Inn, it does offer the advantage of being in—or, to be precise, next to—Georgetown at affordable rates. It's just north of Georgetown proper but an easy walk away. Singles, $55-$63; doubles, $65-$73; parlor suites (no kitchens, separate bedrooms), $68-$78. Most rooms have two double beds and a sitting area; an extra person in a room is $10. Embassy discounts and group rates are available. Parking is free, as are children under 18. There's also an outdoor pool, Gray Line tour pickup, and rental car service. Every night there's live entertainment in **The Brass Elephant,** the hotel's Casablanca-type lounge, and the **Georgetown Cafe** serves three meals a day and provides full room service. Breakfast and lunch are reasonably priced, but you can do better in price and atmosphere if you venture down Wisconsin Avenue for dinner.

**The Four Seasons,** 2800 Pennsylvania Avenue, N.W., (202) 342-0444. The Four Seasons is Washington's newest luxury hotel, with most rooms decorated in soft gray, peach, and green and graced by velvet sofas and silk wallpaper. The service is typical of a European hotel: 24-hour room service, terrycloth robes, a concierge on duty 18 hours a day, turndown service, and phones and heat lamps in the bathrooms. Singles, $96-$125; doubles, $116-$145; suites (no kitchens), $195-$625. Parking is $5; children under 18 are free. The **Garden Terrace,** just off the hotel lobby, serves a light lunch and afternoon tea in pleasant, airy surroundings of plants and overstuffed velvet furniture. In the evening, it's drinks and a piano player. **Aux Beaux Champs** serves three very expensive meals in an atmosphere of subdued elegance.

**The Georgetown Dutch Inn,** 1075 Thomas Jefferson Street, N.W., (202) 337-0900. This small—45 rooms—hotel is situated on a quiet side street just off M Street. All rooms are suites with separate bedrooms and small kitchenettes (pots, pans, dishes, and so on are available upon request). While the decor is nondescript, the accommodations are spacious and clean, and the kitchenettes make this the best deal in Georgetown. One-bedroom suites, $66-$70 (single), $76-$80 (double). Penthouses are split-level, with exceptionally large livingrooms, dining areas, two bedrooms, and one and a half baths; $130-$150 for up to four people. Extra person in a room, $10; children under 12 are free. There are telephones and heat lamps in the bathrooms, and rent-a-car service and Tourmobile tickets at the front desk. Parking is free. At **Peppino's,** an Italian restaurant in the hotel, you can have a moderately priced lunch and dinner. Free coffee and donuts are served in the hotel lobby in the morning.

*—Donna Fenn*


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# WHO'S WHO in the Administration

White House insiders say that of the top triumvirate, **Mike Deaver** is the most open and **Ed Meese** is the most defensive. They also say that there is considerable embarrassment about **Nancy Reagan**'s friends, like **Jerome Zipkin,** whose high living and effortless control of their concern for the downtrodden is becoming increasingly obvious. . . .

We surveyed the first 15 weeks of official White House-released biographies and found that of 272 appointees, almost a third held significant posts during the Nixon years. So much for the "New Beginning." The biographies also show that of those men eligible for military service during the Vietnam era, only 17 of 70 served. Among those who missed their opportunity to serve were OMB's associate director for resources, veterans and labor, **Donald Moran,** and the White House liaison for veterans, **Morton C. Blackwell. . . .**

Bearing false witness seems to be a favorite characteristic of new administration appointees. **Lt. Gen. Hans Driessnack,** who gave false information to air force investigators during the effort to smear whistle-blower A. Ernest Fitzgerald, has been named military representative to the U.N. And then there is **John B. Crowell,** the assistant secretary of agriculture in charge of federal forests and the U.S. Forest Service. During his confirmation hearings, Crowell denied that he was involved in price-fixing and bid-rigging while working as a lawyer for the Ketchikan Pulp Co., which does business in Alaska's Tongass National Forest. After the hearings closed, documents surfaced indicating Crowell was involved. Crowell refused to comment, although senators Kennedy, Leahy, Hart, and Bumpers all demanded an explanation. Jesse Helms railroaded the confirmation through the Senate without reopening the issue.

## WHITE HOUSE

Director, Office of Science and Technology Policy—**George A. Keyworth II** has been a nuclear fusion specialist at the Los Alamos National Laboratory in New Mexico.

Council of Economic Advisors—**Jerry L. Jordan** was a dean at the University of New Mexico.

Member, Council on Environmental Quality—**W. Ernst Minor** has been public affairs director at the Environmental Research Center in Cincinnati.

Member, Council on Environmental Quality—**James McAvoy** was director of Ohio's Department of Environmental Protection.

Deputy Assistant to the President for Presidential Personnel—**John Herrington** was a California lawyer and advance man with the Reagan campaign.

Speechwriter—**Bentley T. Elliott** is a former news producer for CBS and has written speeches for former treasury secretary William Simon.

Speechwriter—**Landon Parvin** was with the Washington office of Hill & Knowlton, a public relations firm.

## DEFENSE

Assistant Secretary of the Army for Manpower and Reserve Affairs—**Harry N. Walters** was president of the Potsdam Paper Corporation, Potsdam, New York.

Director, Office of Program Analysis and Evaluation—**David S. C. Chu** has served as assistant director for national security and international affairs at the Congressional Budget Office.

## ENERGY

Assistant Secretary for Fossil Energy—**Jan W. Mares** was an executive of Union Carbide Corporation.

Inspector General—**James R. Richards** has been general counsel of the National Legal Center for the Public Interest.

## HEALTH AND HUMAN SERVICES

Director, Alcohol, Drug Abuse and Mental Health Administration—**William E. Mayer** was the medical



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director of San Diego's health services department.

Inspector General—**Richard P. Kusserow** has been a special agent for the FBI.

## INTERIOR

Director, Fish and Wildlife Service—**Bob Jantzen** is a former director of Arizona's fish and game department.

## JUSTICE

Assistant Attorney General for Legislative Affairs—**Robert A. McConnell** has served as special counsel to the attorney general of Arizona.

Assistant Attorney General for Civil Rights—William B. Reynolds was a partner with the Washington law firm of Shaw, Pittman, Potts and Trowbridge.

## LABOR

Deputy Undersecretary for International Affairs—**Robert W. Searby** has been a labor-business consultant.

## STATE

Ambassador to Austria—**Theodore E. Cummings** founded Giant supermarkets.

Ambassador to Bangladesh—**Jane Coon** is a former deputy assistant secretary of state for Near Eastern and South Asian affairs.

Ambassador to the European Economic Community—**George S. Vest** is a former assistant secretary of state for European affairs.

Ambassador to Italy—**Maxwell M. Rabb** held several staff positions in the Eisenhower administration.

Ambassador to Malaysia—**Ronald D. Palmer** is a veteran foreign service officer.

Ambassador to Nepal—**Carelton S. Coon, Jr.,** was country director of the office of North African affairs at the State Department.

Ambassador to the People's Republic of China—**Arthur W. Hummel, Jr.,** is a former ambassador to Pakistan.

Ambassador to Senegal—**Charles W. Bray** has been deputy director of the International Communication Agency.

Ambassador to Turkey—**Robert Strausz-Hupe** is a former ambassador to Ceylon.

Ambassador to West Germany—**Arthur F. Burns** has been scholar-in-residence at the American Enterprise Institute and before that chairman of the Federal Reserve Board.

## TRANSPORTATION

Assistant Secretary for Administration—**Robert D. Fairman** is a former deputy assistant secretary of transportation for administration.

## TREASURY

Assistant Secretary for Enforcement and Operations—**John M. Walker, Jr.,** has been a partner with the New York law firm of Carter, Ledyard and Milburn.

Chief Counsel for the Internal Revenue Service—**Kenneth W. Gideon** has been with the Houston law firm of Fulbright and Jaworski.

## AGENCIES AND COMMISSIONS

**ACTION** Deputy Director, Peace Corps—**Everett Alvarez, Jr.,** was the longest-held POW in North Vietnam.

**Central Intelligence Agency**
Deputy Director for Operations—**Max Hugel** has been a New Hampshire businessman.

**Federal Communications Commission**
Commissioner—**Mary Ann Weyforth Dawson** was chief of staff to Senator Robert Packwood of Oregon.

**Interstate Commerce Commission**
Chairman—**Reese H. Taylor, Jr.,** is a former law partner of Senator Paul Laxalt.

**Federal Savings and Loan Insurance Corporation**
Director—**H. Brent Beesley** is a Salt Lake City lawyer.

**International Communication Agency**
Associate Director, Voice of America—**James B. Conkling** has been president of BEI Productions, Inc., a motion picture and television company.

Associate Director for Management—**James Hackett** was with the Arms Control Disarmament Agency.

Deputy Director—**Gilbert A. Robinson** was chairman of Gilbert A. Robinson, a New York public relations firm.

**Small Business Administration**
Director, Minority Small Business Program—**Robert L. Wright** was with a political consulting firm in Columbus, Georgia.

**Veterans Administration**
Inspector General—**Frank S. Sato** was former inspector general of the Department of Transportation.

**Synthetic Fuels Corporation**
Member, Board of Directors—**Robert A. G. Monk** served as board chairman of The Boston Co., Inc., a bank investment management holding company.

Member, Board of Directors—**C. Howard Wilkins** is the founder of Pizza Hut, Inc.


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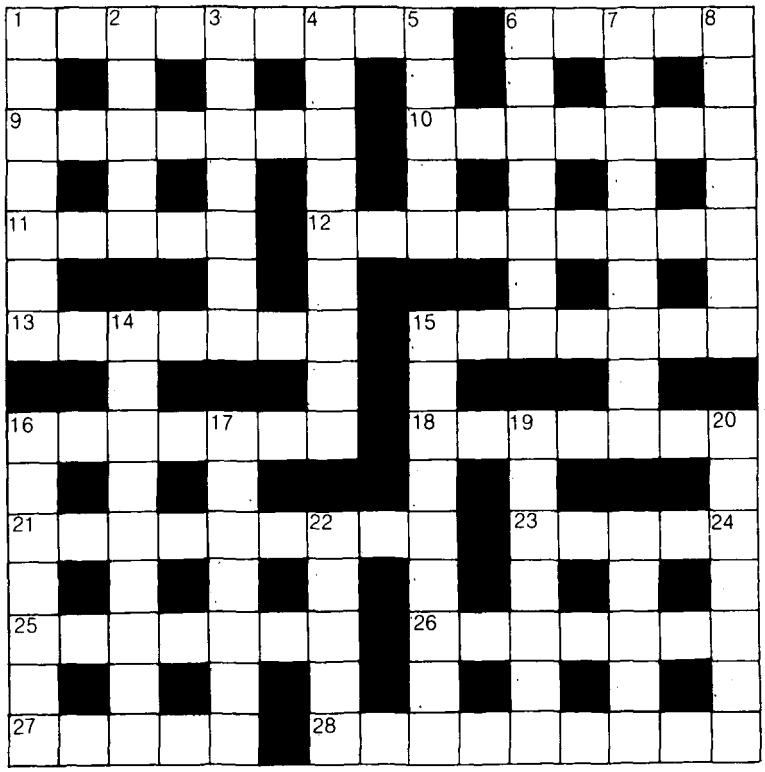
# The Political Puzzle

**by John Barclay**

*The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.*



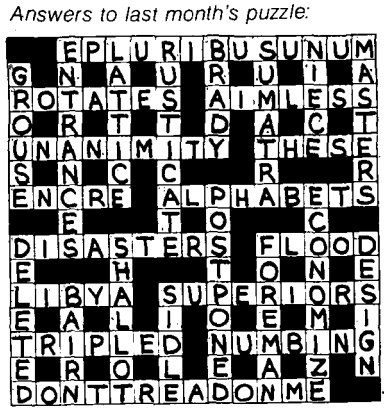
## ACROSS

1. Teeny fast arranged by Reagan to protect needy from . . . (6,3)
6. . . . cut in his L.A. shearing operation. (5)
9. Subside to color feathers, we hear. (3,4)
10. Peters upset around the Y makes new letter. (7)
11. West Indian from little, little state in taxi. (5)
12. A vice vote becomes memorable. (9)
13. Onlookers make arrests. (7)
15. Strong emotion stirs Spain so easily. (7)
16. Heads for gongs in a different way. (7)
18. Looks on as Communists surround Union forces. (7)
21. Produce the fronds oddly. (4,5)
23. Ms. McPherson is loved in France. (5)
25. Moralist is improved, *i.e.*, fired. (7)
26. Painters and fish when they get together? (7)
27. President (on the dole?) . . . (5)
28. . . . cut when somehow I trounced him. (9)

## DOWN

1. Entices another to see cued arrangement. (7)
2. Refer loosely to less restrained environment. (5)

*Answers to last month's puzzle:*




3. Blue rot developed into plague. (7)
4. Decode ABACDACD for one of these silly things. (9)
5. Trunk brought home to roost in pieces. (5)
6. Petty rulers brought up belonging to Athens' foe. (7)
7. Sound equipment forced to fail prime test. (9)
8. Strange base in layer no longer in news. (3-4)
14. Mutilated giant near southern state. (9)
15. Acquired car pushed around. (9)
16. Saved for a rainy day gets England started in a way. (4,3)
17. To impose Illinois Central in Flint, that's strange. (7)
18. Rich gap may be all too plain. (7)
Holds back foster child? (7)
22. Less well done meats exist around the railroad. (5)
24. I go up to find native down under. (5)



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# James Fallows
# ON POLITICAL BOOKS

Those who know Joseph Califano's life story but have not seen his book* might have two reasons for wanting to read it: to see what he has to say about Jimmy Carter, the man who hired and then fired him as secretary of health, education, and welfare, and to find out what lessons this old hand can teach about the way the government works. There are answers to both questions in this book, but *Governing America* is more significant for something else. It is an explanation, mainly unintentional, of why mainstream liberalism has fallen to its current low estate, and thereby, in a way quite different from what the author seemingly has in mind, it is a reminder of the true tragedy of the Carter years.

As for his portrayal of the former president, Califano strikes me as correct, though totally one-sided. Everything that was feckless about Jimmy Carter is accurately described here: the misunderstanding of human motivations, the inability to convey any large idea of his plans, the belief that he could win support in Congress or among reporters or within his staff by sending little memos saying "I need your help." One of Califano's accusations is, in my judgment, phony—that Jimmy Carter was insincere or timid in his commitment to civil rights—but the rest ring true to my own experience in the administration. The problem is that there is little room in this account for the qualities that remained admirable in Carter: his fundamental integrity and intelligence, his understanding that programs launched with grand intentions in Washington often looked quite different to the people they actually affected, the human decency that made it inconceivable for Carter to humiliate his employees as Lyndon Johnson was said to do, but which also denied Carter the benefits of Johnson-style manipulation.

Nor is there much modulation in the contrast Califano draws between Carter's weakness and two other men's strengths. One of them is Lyndon Johnson, who makes frequent cameo appearances to illustrate how a president's work should really be done. These stories are delightful: in one, Johnson uses a bewildered Pope Paul VI as a prop to make a political point, and in another he so baffles a delegation of doctors from the AMA that the same men who came to his office ready to denouce Medicare go out telling reporters they'll support the plan. Califano is as faithful to the good in his first president as to the bad in his second.

While a proper appreciation of Lyndon Johnson's human vitality and legislative genius is fine, there is virtually no hint in this book of the other side of the balance—the judgment that Carter possessed and Johnson lacked. It is worth remembering that, by the end of Johnson's term, there were half a million American soldiers fighting in Vietnam, and the nation was more bitterly divided than at any time since at least the Great Depression and possibly the Civil War. By contrast, we have Carter, who when the American hostages were taken in Iran did not jump to the conclusion that this necessitated a military response. It has become fashionable among columnists to say that Carter's performance proved his and the nation's craven weakness. But, from even the brief historical perspective we now enjoy, was the damage done to America's interest by the hostage incident so grave as to warrant a full-scale military response? Carter's approach to Iran cost eight servicemen their lives; Johnson's response to Vietnam cost 49,000.

The other virtuous figure is the author, whose prescience and commitment ring through the book. As one who has made his own contributions to the "If Only They'd Listened to Me" school of political memoir, I hesitate to sound overrighteous on this point. Still, there is such a thing as laying it on too thick. In this book Califano is usually saying things like "our only hope is to develop some kind of compromise that will help poor people," and is often being told things like "Well, hell, Joe, I can't believe he would ever get rid of you. You're the best damn Cabinet officer he's got" (from Tip O'Neill), or "Joe Califano is not only one of our great scholars in America; but he happens to be one of the greatest administrators in the nation" (from Carl Perkins). It is easy to imagine that these words were actually spoken; it is harder to conceive of including them in your own book. The one significant exception to this tone—and just about the only incident in which Carter is made to look reasonably shrewd—comes during discussions of different proposals for welfare plans, when Carter says with a smile, "Joe . . . when you want to call it the Califano plan, then I'll know we have a good one."

Carter's press secretary, Jody Powell, has directly accused Califano of displaying selective memory in his account. "Members of Congress called us to say that Joe was actively lobbying against the Department of Education," Powell said. In the book, Califano presents himself as having loyally defended a policy with which (for quite good reason) he disagreed. Powell said, "That's the kind of thing where if you do it and you get caught, you've got to expect to go back to pauper's fees as Al Haig's lawyer." Martin Kaplan of *The Washington Star*, who worked in Califano's department and later in the White House, said, "From

*James Fallows is Washington editor of* The Atlantic *and a contributing editor of* The Washington Monthly.

*Governing America. *Joseph A. Califano, Jr. Simon & Schuster, $16.95.*


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both the HEW side and the White House, I know of any number of incidents where, by omission or by selective refraction, Joe's account is partial at best. But I'm not going to write about it."

When it comes to teaching the lessons of his long experience in government, Califano seems to share Lyndon Johnson's trait of being better at getting things done than at explaining how he did so. In *The Vantage Point*, Johnson was full of lofty sentiments about the burdens of power; when speaking for the record, Califano tends toward a similar style. But a few paragraphs later he will mention in a matter of fact way, as if the idea would have occurred to anyone, that he had drafts of HEW proposals typed at the Pentagon to avoid leaks, or that he thought of converting all the figures in the administration's $9,400-per-year welfare plan from 1978 dollars to 1976 dollars so they'd look ten percent smaller when publicly announced, or that he combed through the budget looking for unlikely programs that he could classify as "welfare," so that the "welfare budget" would look as large as possible—thereby giving him the maximum room for maneuver when Carter told him that a new welfare plan must cost no more than the current one.

The real lessons about government are to be found not in Califano's recollections or prescriptions but in his tone. *Governing America* is one of those documents in which the very syntax reveals more basic assumptions about the way the world should work.


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The book resembles most closely the tone of high school debate, in which able and industrious students work up one subject after another and argue their case with all the power they can muster. Their information is nearly all secondhand, drawn from statistical almanacs, newspaper clippings, and government reports. Their success depends on how vigorously they can present "proof" that is not authentic to them in any human sense.

The debater's voice is heard on nearly every page of this book. Califano organizes the discussion into a series of chapters about different issues—welfare in one, national health insurance in another—and describes the "crisis" in each area in terms appropriate to standard liberal speeches, and also to debate. He lists a number of reports about declining performance in the schools and says, "My reaction to this statistical data was shock and outrage—how could the most affluent society on earth tolerate such a school system?" Or "We are setting off a time bomb of young Americans who are unable to function in a democratic society." He uses four metaphors in 24 words to punch up his point about Social Security: "A final storm was blowing up, and would hit with magnum force as we entered the eighties—runaway inflation, arm-in-arm with recession."

In keeping with an understanding of "problems" based mainly on statistics, the passion for action that Califano radiates is directed mainly at Washington, where bills may be passed and budgets rearranged. During the struggle over welfare reform, the most dramatic moments occur as the computers are working through the night, trying to figure out new charts of benefit distribution. When charged with the responsibility to enforce regulations known as Title IX, which mainly concern athletic programs for women at schools and colleges, Califano says he "discovered that no one had ever checked to see which institutions had filed the forms and which had not; thousands of executed forms had been lost; many were in corrugated boxes, split open and scattered on floors. . . . It was inexcusable."

Such efforts to wrestle with the machinery in Washington do matter. Joseph Califano is a man any (Democratic) president would turn to for help in getting his legislation passed, or to figure out a way to keep the bureaucrats in line. During the New Deal and in the Johnson administration, some of the programs worked up by men like Califano made a fundamental difference for the good in many people's daily lives. But this approach to doing business, in which "issues" are worked up like debate questions and solved by collecting forms, is what was most wrong with the standard Democratic approach—and, to judge from this book, is wrong still.

Califano provides an excellent illustration of the difference between abstract and firsthand knowledge. He says that when he was working for Lyndon Johnson, his three-year-old son found an aspirin bottle and swallowed the pills. He was at the hospital by the time Johnson called him about another matter.



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(continued from page 55)
what is considered to be the correct racial balance or what is called progressive social policy.'" No doubt racism is there, and no doubt Nixon appealed to it. But does any parent want his children bused to an inferior school to satisfy an abstract concept? I don't, and I suspect Joseph Califano doesn't either. By seeming to sneer away such real human concerns, liberals prepared their own undoing.

The special tragedy of Jimmy Carter is that he knew, or seemed to know, what was wrong with this way of doing business. Califano mentions an incident that also stuck in my mind. During a briefing on welfare reform, an academic authority said that it was wrong to expect many people on welfare to work, since they were very poorly educated. Carter flared up, telling about people he'd known back home who couldn't sign their names but knew what it meant to put in a day's work. Carter's perspective may have been parochial, but it was closer to operating realities than the expert's lumping of these people as "functionally illiterate unemployables." So was his initial view on many of the other questions Califano discusses. That Carter never found the way to explain this goal, or the cunning and perseverance to enact it, is the greatest missed opportunity of his years. □

# Political Booknotes

*Public affairs books to be published in July and August.*

**Beyond Despair: A Policy Guide to the Communications Era.** *Robert Theobald. Seven Locks Press, $11.95/$7.95.*

**A Bishop's Confession.** *Jim Bishop. Little, Brown, $15.95.* Jim Bishop told his daughters to remember him for writing "three feet of books." He is the author of thousands of newspaper columns, magazine articles, grade-B best sellers like *The Day Lincoln Was Shot* and *The Day Christ Died,* and even *Go with God,* the collected prayers of famous people.

In this book Bishop relates his own rise from a working-class Jersey City family that his father ran out on. Bishop's anecdotes about himself are often interesting, although they sound slightly, shall we say, enhanced. There's the dog he takes with him drinking at the corner bar, and there's this habit of having a private chat with the president, collecting his notes, and flying to Aruba for "some writing and crap-shooting."

*—Michael Hiestand*

**Controlling the New Inflation.** *Thomas J. Dougherty. Lexington, $18.95.*

**Critical Issues in Health Policy.** *Ralph A. Straetz, Marvin Lieberman, Alice Sardell, eds. Lexington, $25.95.*

**A Danger of Democracy: The Presidential Nominating Process.** *Terry Sanford. Westview, $12.95.*

**The Declassified Eisenhower: A Divided Legacy of Peace and Political Warfare.** *Blanche Wiesen Cook. Doubleday, $15.95.*

**Electronic Nightmare: The New Communications and Freedom.** *John Wicklein. Viking, $15.95.* As communications technology develops, distinctions between our telephone and our computers, our newspapers and our television blur. Will AT&T, Time Inc., or the government someday control a single, computer-driven electronic system for the communication, retrieval, and storage of information? If so, who will be able to "access" our personal data—our credit rating, our medical history, our product preferences, our political opinions? A potential employer? A bank? An autocratic government? Any "Asteroids" player?

Wicklein, a veteran print and broadcast journalist, says the time to answer those questions is before the systems are irrevocably in place. That's not far in the future. Already the largest personal investigation company in the U.S. is Equifax Services of Atlanta. It has 40 million dossiers in its computer and transmits them to its customers by satellite (Richard Viguerie, eat your heart out).

Even if the privacy questions can be answered—high-tech types, the people who brought you nuclear waste, keep assuring us it's just a matter of programming—what kind of society is in store for the electronic age? Will people sit at home in splendid isolation staring at a television-like screen, hands glued to keyboards, ordering groceries, deducting purchases from bank accounts, calling up news articles, and ogling soft-porn movies after the kids go to bed? With more and more jobs of the paperwork variety, will people stay home and "work" through their screens? Will people ever leave the house at all?

With communications companies expanding and prices falling, we'd better resolve these questions in "real time," as the silicon-chip set says.

*—Pat Martin*

**Ethnic America: A History.** *Thomas Sowell. Basic, $15.*

**Future Worlds.** *John Gribbin. Plenum, $14.95.*

**The History of American Wars from 1745 to 1918.** *T. Harry Williams. Knopf, $20.*

**I Hear Them Calling My Name: A Journey Through the New South.** *Chet Fuller. Houghton Mifflin, $12.95.*

**Industry Influence in Federal Regulatory Agencies.** *Paul J. Quirk. Princeton Univ., $19.50/$5.95.*

**John Muir and His Legacy: The American Conservation Movement.** *Stephen R. Fox. Little, Brown, $17.50.*

**The KGB: The Eyes of Russia.** *Harry Rostizke. Doubleday, $14.95.* Does spying really matter? The Soviets think so.

This CIA-operative-turned-author finds the "classic" (and classy) double agents like Burgess, Maclean, and Philby more exceptions than the rule. What is really awesome, he says, is the extent of


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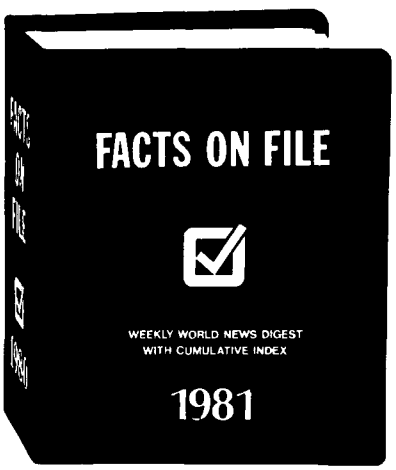
the Soviet data bank, with its dossiers on an estimated 50 million foreigners (*a la* Viguerie again), plus its own citizens, especially its dissenters. All contacts with foreigners are recorded. And contacts are what the Soviet strategy is about. As congressional staffs expand, as multinational corporations proliferate, as LDCs become ripe for inclusion in the socialist sphere of influence, the potential for contact expands. The Soviets are brashly getting to know the Hill staffers, rebel leaders, and just ordinary U.S. businessmen. They even lobby for their causes in Washington.

If a useful spy is a dull spy, then the obvious analogy would characterize this as a useful book. A lot of attention is devoted to explaining how spies are recruited and maintained (sexual entrapment, families held hostage, lots of money) and how they in turn recruit others—all in the pursuit of documents, a monumental paper chase. In spite of a "glossary" of dead-drops, brush-contacts, penetrations, and moles, Rostizke finds little that is exotic about the KGB. Just another error-prone, paper-pushing bureaucracy, only one whose purpose is to do us in.

—*P.M.*

**Managing the Public's Business: The Job of the Government Executive.** *Laurence E. Lynn, Jr. Basic Books, $14.95.* Lynn is an experienced government manager and a perceptive political scientist, which makes it all the more disappointing that he chose to write this in the stilted style character-


# FACTS ON FILE

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istic of both those professions. Still, his basic point, that the key to success in the government is *thinking for oneself* rather than thinking in management modes, is a good one, and well-illustrated. The importance of effective networking, or, as he calls it, "patterns of communication and mutual influence," is given the weight it deserves. Lynn also goes a long way toward explaining why it's better for bureaucrats to be accountable to the president instead of to the agendas of their particular agencies.

—*Jonathan Alter*

**Never Complain, Never Explain: The Story of Henry Ford II.** *Victor Lasky. Richard Marek, $13.95.*

**New Rules: Searching for Self-Fulfillment in a World Turned Upside Down.** *Daniel Yankelovich. Random House, $15.95.* This is a book by a pollster, full of interviews and surveys, but still it's a *book*. Yankelovich is advancing a specific thesis, namely that the Protestant work ethic ("self-denial") has declined, but the self-centered "me decade" that replaced it is a failure.

Yankelovich argues that through the 1960s and early 1970s, the economy was so healthy people found they could discard their self-sacrificing values. Self-fulfillment instead became the major goal. Yankelovich's survey team says that by the late 1970s no less than 63 percent of the population had abandoned some once-cherished values and roles (what he calls the "giving-getting compact") in order to find increased personal satisfaction. Another 17 percent, he found, were wholly absorbed in fulfilling their "inner needs." That adds up to 80 percent of us.

Is there 80 percent more fulfillment out there? Obviously not. Yankelovich feels that the wholehearted pursuit of inner fulfillment has left us empty instead of full, that preoccupation with self ultimately leads to loneliness and alienation.

The author, however, remains optimistic. He sees social experiments in self-fulfillment as a biological evolution necessary to remove the fallacies and contradictions of life. Soon, he thinks, American values will flower into an "ethic of commitment" where humanity will emphasize shared experiences and ideals, instead of utilitarianism. Let's hope he's 63 percent right, or even 17 percent.

—*Randolph J. Steer*

**Nuclear Witnesses: Insiders Speak Out.** *Leslie J. Freeman. Norton, $16.95.* Here are 16 first-person accounts from nuclear-industry insiders who became disturbed at what they saw and decided to blow the whistle. They range from a physicist to a pipe-fitter.

It's pretty repetitive. Each whistle-blower has essentially the same story to tell. Lies. Distortions. Withholding facts from the press and the public. Sloppy safety procedures. Untrained employees. Callous management. Always ending in cover-up. Ho-hum. Just the same old nuclear industry we've all come to know and love. It's a shame, because the book's strident tone probably ensures it will be read by no-nukers. The mere repetitive nature of the disturbing stories in *Nuclear Witnesses* indicates that the no-nuke types may have good reason for their fanaticism.

—*Kelly Walker*

**The Ohio Gang: The World of Warren G. Harding.** *Charles L. Mee, Jr. M. Evans, $14.95.*

**The Oil Game.** *James McGovern. Viking, $12.95.* By a former Shell and Arco public-relations man, this book doesn't exactly blow the lid off the oil industry. McGovern does admit that Big Oil loves shortages and price increases ("[Oil company] interests coincide with those of OPEC and are in direct conflict with those of the consumer"). He also verifies some cherished anti-oil beliefs, among them that you should always buy the cheapest gas you can find, regardless of brand name. But ultimately *The Oil Game* offers little in the way of news. There are few informative insider anecdotes (a startled nation learns that


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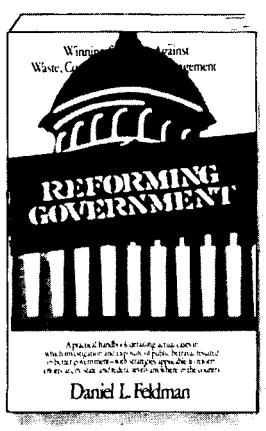
—Jack Newfield, *Village Voice*

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Mobil's William Tavoulareas is known to his friends as "Tav"), and the author, while occasionally criticizing the oil industry, suggests few reforms. A good overview for those unfamiliar with the oil industry, but not of much use to anyone else.

If you read it, keep your eyes peeled for editing slips. At one point McGovern says that oil supplies "three-quarters of the nation's energy." Later he says natural gas supplies "one-quarter of the total energy America consumes" and then goes on to describe all the energy generated by coal, nuclear, and hydro. How can there be an energy crisis with more than 100 percent of our power needs provided for? (Oil supplies about half, not three-quarters, of U.S. energy.)

—*Gregg Easterbrook*

**Politics Is for People.** *Shirley Williams. Harvard Univ., $12.95.*

**Politics Is My Parish: An Autobiography.** *Brooks Hays. Louisiana State Univ., $20.*

**The President and the Public Philosophy.** *Kenneth W. Thompson. Louisiana State Univ., $15.95.*

**Prime Time Preachers: The Rising Power of Televangelism.** *Jeffrey K. Hadden, Charles E. Swann. Addison-Wesley, $11.95.*


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**Steve Nelson, American Radical.** *Steve Nelson, James R. Barrett, Rob Ruck. Univ. of Pittsburgh, $19.95.*

**Unlikely Heroes: The Southern Judges Who Made the Civil Rights Revolution.** *Jack Bass. Simon and Schuster, $14.95.*

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